JPRS-EER-92-078
22 JUNE 1992



JPRS Report

East Europe

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JPRS-EER-92-078 *22 June 1992*

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Editorial Justifies Cuts in State Apparatus

AU1806075792 Tirana RILINDJA DEMOKRATIKE in Albanian 10 Jun 92 pp 1-3

[Editorial: "Changes in the Apparatus Are Not a Class Struggle"]

[Text] The restructuring and renovation of the state and all its levels of administration, from the base of the pyramid to its apex, are vital to ensure a total victory over communism and to move from a planned and centralized socialist economy to a market economy. This cannot be achieved by preserving untouched the old structures and apparatus that were generally of low quality, productivity, and efficiency and were infected by the regressive dogmas and practices of the old system. We know this well, but the communist-socialists know this well, too. When they seized power on 29 November 1944, they began a witch-hunt not only against representatives of the toppled classes, but also against cadres who had served the old regime. In place of those who were generally educated and experienced, they substituted partisans who had learned to read and write in the mountains, merely because they were committed communists, to the point of absurdity and self-sacrifice.

Enver Hoxha later ordered and directed various great crusades involving personnel shake-ups, which struck less at the tentacles of bureaucracy than at the most professionally able cadres, replacing them with commissars and other obedient party hacks. ZERI I POPULLIT always advertised and sold this to us as a very necessary and vital thing for the splendid future of socialism and the people. Now the Democratic Party [PD] is trying to cut all the tentacles of the Party of Labor [PPSh] and to build a new system with new people who are not so much young in years, but rather people of standing and conviction and who are dedicated to democracy. The Socialist Party has mobilized all its resources to deceive the people according to its 50-year-old tradition, and to portray the transfers and cuts of personnel as the expression of a new monism and a new class struggle whose sole victims are this party's eternally "underprivileged" members! No more than two or three years ago, this party itself tore them to rags in the pages of ZERI I POPULLIT as incompetent and corrupt bureaucrats, while now it weeps for them and defends them as if they were cultural monuments. Of course, there is nothing in this to surprise us. The PPSh, the Socialist Party, and ZERI I POPULLIT are used to inventing enemies, victims, and fantastic dangers, even where they do not exist. They describe black as white, hell as paradise, corrupt and immoral criminals as great heroes and patriots, and turn nincompoops into professors groaning under the weight of their titles and honors....

The transfers are being conducted on the basis of deeply democratic criteria, and also relying on the experience of other countries. It was the management monopoly exercised by the blockmen [former Party of Labor leaders], great and small, and their nearest and dearest that led to bureaucratic mentalities, single-party favoritism, cronyism, back-scratching, nepotism, and clans.

Can these people still be left to vegetate in the posts in which they have drunk the people's thin blood, especially in the last two years of communist-socialist fog? Of course not. Not only the innocent victims, dead or alive, of these wielders of power and their macabre dictatorship but the entire people would not forgive us. They demand and expect a major positive turning point, with genuine democracy rather than its simulacrum. Personnel cuts have also taken place as part of the privatization process, as sectors and enterprises cease to be dependent on ministries.

Neither economic logic, nor the people, nor the new state could agree to maintain such a bloated apparatus. This state inherited from the Socialist Party a debt of $600 million, a treasury emptied by the thefts or incompetence of the communist-socialist leaders, and an economy devastated by the Socialist Party's scorched earth policy.

Let us now move to a more specific area.

Personnel Manager Skender Jarani told us that the Ministry of Construction has kept the most able and honest specialists and those who are dedicated to their professions and their jobs, regardless of their party affiliations. It is highly significant that Izet Xheneti, the ministry's former party secretary, was not transferred, because the general view was that he is an able specialist who has worked on projects for many years without enjoying privileges. Thirty-nine people out of a total staff of 143 have been moved. There were also cuts in order to eliminate superfluous departments. Seven out of 15 directorates and four out of seven sectors remain.

In the Health Ministry, too, cuts are more a result of restructuring the apparatus and changing old structures, with the creation of efficient, self-motivated, and accountable directorates. Of course, some staff whose time was up long ago have been removed. Could Agim Rrapaj, who has reeked of malpractice and corruption for a long time, remain in this ministry as planning director?

The new cadres who have come to this ministry are people of proven professional abilities and with wide reputations. For instance, Mr. Besim Nuri, a figure well known in our medical circles, has been appointed deputy minister. Mr. Fedhon Meksi, one of the most distinguished cardiologists in the entire country, has been appointed dean of the Medical Faculty. The nonparty intellectual Tatjana Harito, who speaks three foreign languages, has been appointed director of a directorate. Shyqyri Subashi, a distinguished academic with administrative experience, has been appointed chairman of the Red Cross, and former Socialist Party member Ms. Pandora Kete has been appointed secretary.

Moral character, credibility, professionalism, and a pro-reform attitude have also been the basic criteria for the renovation of the Foreign Ministry. Certain ambassadors and diplomats whom the world does not trust either

have rightly been removed, but certain PPSh or Socialist Party members have been retained, such as Maxhun Peka, Bashkim Dino, Ksenofon Krisafi, Roland Bime, Leonidha Mertiri, Fatos Reka, etc.

There are plenty of cases in which the transfers and cuts have also "burned" PD members or independent democrats. Of course, ZERI I POPULLIT closes its eyes and remains silent at this.

One cannot exclude the possibility of mistakes, both in one direction, where an able and honest person may have been removed, and in the other direction, in which people who do not properly meet the criteria may have been given power. The fewer these mistakes are, the better for work, the people, and democracy. However, let us be realistic. In this period of transition, when old cadre files serve no useful purpose and people are not so well known, some errors are inevitable.

Time will tell and will make its corrections, making it possible to achieve as far as possible the PD's motto: "Management—a monopoly of the able, the honest, and those who are dedicated to democracy."

Commentary Calls Election Campaign 'Unsavory'

92CH0573A Bratislava KULTURNY ZIVOT in Slovak 23 Apr 92 p 1

[Guest commentary by Ivan Hoffman: "An Unsavory Campaign?"]

[Text] The election campaign has still not even started and already the voters are being told from all sides that it is an unsavory one. I think that this is a banal statement. The fact that some politicians are behaving in an unsavory way is one thing and the fact that the politicians find themselves under the close gaze of the mass media before the election is another. It is truly distasteful when a decent person is smeared by fabricated accusations, but it is equally distasteful how the newspapers popularize a person who is obviously stupid or a person who demonstratedly lies repeatedly. We are concerned with the voter in the election campaign primarily knowing that important information that will help him to recognize the truly dangerous politicians. Such information may be unsavory in its content, but it is not unsavory to publish it. And finally, the election campaign is also an opportunity to have a laugh at the expense of the politicians.

As a humorous episode from the campaign, we include here the information from SLOVENSKY DENNIK about how it really was with the reception of Jozef Prokes, chairman of the SNS [Slovak National Party], by Ronald Reagan. The degree of importance that the SNS and its chairman enjoy in the United States was made clear to Jozef Prokes at the moment that he found out that Ronald Reagan charges $4,216 for a meeting with a person interested in a photograph together. Jozef Prokes, the Slovak nationalist of Czech origin, was interesting to Ronald Reagan only as one of the many sponsors of the election campaign by his party, the election fund into which Ronald Reagan pumped the dollars from Prokes. At a time when the populists are organizing a fierce campaign against the politicians who are ashamed to represent the people in their Trabant autos and impertinently hold meetings in their BMW's, it could happen to Prokes that the rank-and-file members of the SNS will start to calculate how much they could finance, for example, in color postcards of the collective of SNS deputies, which would be a nice souvenir of the preelection meetings, instead of spending the money on one photo with the capitalist Reagan.

Luckily for Prokes, it was not his money. The picture session with Reagan, as stated in SLOVENSKY DENNIK, was "covered" by his U.S. countrymen. The only thing that I could think of to blame Jozef Prokes, the chairman of the world-renowned SNS, for is a lack of entrepreneurial spirit. That is, why did he not demand an honorarium for himself from Reagan for the photo together?

I think that just such laughable disclosures are ornaments for the election campaign. And possibly they are even more effective as stories to make the voters shiver. Recently I solved the dilemma of whether to blow the whistle on the deputy of a certain new opposition party, who, at a certain entrance, in an attempt to get the key to a certain office, pulled a gun on the doorkeeper. "Why am I the one who had to find out about this," I said to myself when I unwillingly, but out of professional obligations, set out on the trail of this case. And in the end I was grateful to the doorkeeper who had kept the whole matter quiet that I do not have to frighten the citizenry as to what kind of people are trying to get their votes.

My contribution to the campaign will be to publicize these laughable events. For example, the episode from the life of the politician who carries 100,000 job opportunities around in a magic suitcase. Before the elections it would be useful to warn the voters about how it worked out some time back in Germany when this speechmaker of ours by mistake found himself in front of a more demanding audience than what he was used to at his meetings. After the initial amazement over his exotic political science inventions, the public started to make mincemeat out of the former Slovak prime minister. And since that would not do, the moderator of the discussion was inspired to put together this finale. "We are used to applauding the guest at the conclusion," he said, "but I think that today the interpreter did the most work." Everyone turned to the interpreter and rewarded her with a sincere round of applause. And the lesson for the voter? Never elect politicians who are the laughingstocks of the civilized world if we do not want also to become a laughingstock.

I am for making the election campaign fun. This raises the hopes that the elections will not end sadly.

Polemic Answer to Detractors of Czechoslovakism

92CH0573B Bratislava KULTURNY ZIVOT in Slovak 30 Apr 92 p 4

[Article by Teodor Kalisky: "We Condemn Czechoslovakism..."]

[Text] ...or the concept of a unified Czechoslovak people; but how did Czechoslovakism arise, who is its founder, and who the originators of the idea? The Czechs? Czechs and Slovaks together? We will see, but I believe that it was the Slovaks for the greater part. Let us try to see what the action of the Slovaks was in a journey back through history.

If we were also to ignore the historical role of the Czech language (which cannot be ignored), which was more or less Slovakized as the literary language of the Slovaks from the 14th century on, and this its direct and natural influence on drawing the Slovaks closer to the Czechs as the nearest people in language and roots (and that is even those who paved the way for the literary Slovak language, that is, the followers of Bernolak and Stur), the position of the Slovak people in Hungary was desparate, as the national death of that people was already rattling in its throat. That is a fact! Anyone who knows at least a little history is aware that all the Slovak educators, those

few that there were, before World War I joined up with the Czech people as a direct demonstration, including Hlina and Stefanik who, in the interests of Czechoslovak unity, refused to sign the Pittsburg Agreement either, and they showed their attitude in the Martin Declaration as well. At that time, Czechoslovak unity represented the hope for preserving the Slovaks as a nation and thus played a positive role.

And when we look for a moment farther back, what did the newly forming Stur adherents publish as their first work in 1836? It was the "Contributions of the Bratislava Learned Society Written in the Czechoslovak Language." And what was Stur's Slovak language for the respected and beloved Kollar, who recognized only four literary Slavic languages? A language of "shepherds...tinkers...horse gelders...." And what kind of hopelessness forced J.M. Hurban, one of the trio of founding fathers of the literary Slovak language, to publish, in 1876, the sixth volume of his NITRA in Czech?

Even from what has been sketched here concerning our national past it clearly follows that the originators of Czechoslovakism were primarily the Slovaks, since the Czechs at the time of the national revival, and even earlier, predominately were focussing on themselves and under the influence of Kollar's thinking about the Pan-Slavic kinship were turning more to Slavs as such or were speaking and writing about the Czechoslavic interrelatedness. The Czechs had no need to fall back this way on Czechoslovak unity and were also not as dependent on it as were the Slovaks. Their situation was far more favorable; they were advanced, with a developed culture, and the German oppression was far from as intense and sweeping as that of the Hungarians imposing their culture. It is necessary, however, to recognize that they bitterly bore Stur's separation of languages.

I was stimulated to write these lines by some thoughts of Jan Kacal, Ph.D., Doctor of Sciences, an employee at the L. Stur Linguistics Institute of the SAV [Slovak Academy of Sciences] in LT No. 5/92 ("Language Under the Dictatorship of the Linguists?"). We pay little attention to our lingusists and the results of the JULS [L. Stur Linguistics Institute] of the SAV, we take little interest in the works that are published, and also we make little active effort at increasing the level of today's literary Slovak language, since we consider the Slovak language as our stepmother tongue. I have always expressed great admiration for the activities of the JULS since they are highly worthwhile and irreplacable and I recognize the work of Jan Kacal as such and respect it. But really for everything that I have mentioned in this article I must say that I am bewildered by J. Kacal's statement that the rules of Slovak orthography from 1931 were an expression of a Czechoslovakist fiction directed at "getting rid of the Slovak people and the Slovak language as well" and that it was a fiction "with evil intentions."

Yes, the 1931 rules of orthography were an expression of the ideology of a unified Czechoslovak people, a unified Czechoslovak language, but why was it an ideology of Czechoslovakism, which in just this publication of the rules reached one of the peaks in its crisis, and it was necessary to insist so harshly and excessively, as if that we not in itself of evil intent, that it was directed at getting rid of the Slovak people and with evil intentions? Why can we not look back on those times somewhat objectively? Why should they not evaluate the attempts of the Czech linguists with a regard for the historic ties of the contacts between the Czechs and the Slovaks? Indeed, they defended what the Slovaks in the past said, what they recognized without pressure from the Czechs, but under the pressure of their own living conditions. Why should it be evil intentions when the Slovak and the Czech languages are very close to each other and in the past there had already been attempts made by some of the leading Slovaks to create a single Czechoslovak language? Were these also evil intentions?

We do not assume that the Czech linguists were bowled over with love for the Slovak language, even though they are so close to each other, and then simply used the opportunity offered and wanted to bend the sound of the Slovak language more over to the Czech side of the scales. In the end one cannot wonder at the rules that came from Vaclav Vazny's pen; he wanted to use them to strengthen the Czechoslovak unity which was truly always a fiction since, as history shows, it was actually only the high ground of the refuge for the dying Slovak nation.

But the situation in 1930 was already radically different from that of 1918 and V. Vazny's timing was off. Ten years of free national life with the substantial Czech help in the Czechoslovak Republic meant a miracle of resurrection for the Slovak nation and an excellent awareness of their national identity; therefore the Slovak public as a whole naturally came out against Vazny's rules. Thanks to the existence of the Czechoslovak Republic, those 10 years were enough for the development of the first Slovak linguists of the new period (mostly under the leadership of Czech professors) and even though the modern Slovak linguistic science was still only being formed at that time, when it took up the task it transformed the Slovak nature of the language throughout. The Slovak people themselves became aware of it and even though many Czechs did not understand it, they necessarily generously forgave it.

Finally, such generosity undoubtedly was demonstrated by the creators of the rules of 1940. In their introudction there is not indication of the fact that the rules of 1931 were directed at "getting rid of the Slovak people and the Slovak language as well," which is just a fiction of today, even though the governing political clique at that time would probably have put that expression of the arrangement down in the "credit" column. Materially, culturally, and in terms of civilization only linguistic reasons come into consideration as to why it was necessary to publish the new rules.

Industrial Production, Price Contradictions

92CH0615A Prague HOSPODARSKE NOVINY in Czech 20 May 92 p 18

[Article by Tomas Svatek, Federal Statistical Office: "Industrial Production and Price Development—Conflicting Economic Results"]

[Text] In 1991, given a hurry-up view, the results achieved in Czechoslovak industry were quite conflicting. Expressed in constant prices (essentially in terms of their physical volume), production declined by 24.7 percent compared with 1990, but outputs (in current prices) rose by 26.2 percent and profits rose by 78.3 percent.

From a short-term standpoint, the liberalization of prices resulted in high profits. Even though the realization was certainly not universal that the sharp increases and prices would soon encounter the upper limits of demand, nevertheless, prices in January already rose by virtually 44 percent in comparison to January 1990 and increased by virtually 62 percent for the entire quarter. For the time being, customers did not overly react to this development and production declined only by 10.5 percent in comparison to the first quarter of 1990. Because it was possible to accomplish production during this period on the basis of supplies which had, among others, been acquired at the old prices, profits rose by 173.4 percent with material costs rising by 37.8 percent.

In the second quarter, enterprises increased the prices for their products by another 9.6 percent. This made a decisive contribution to the fact that, in comparison with the same period of 1990, production declined by 22.5 percent. But not even this already palpable shortfall was felt to excess financially by the enterprises. Their profits were higher by 85.8 percent while their material costs rose by 18.7 percent. In the summer months, the price increases stopped completely. However, this did not revitalize demand, particularly domestic demand; on the contrary, in comparison with the third quarter of 1990, production had to be lowered by 30.9 percent. Nevertheless, the increase in profits was considerable: by 66.2 percent, while material costs rose by 8.1 percent.

In the last quarter of the year, prices increased only by 0.7 percent in comparison to the summer period, but demand continued to drop. Production had to adapt and was 34.9 percent lower than it was for the same quarter of 1990. In December, production declined by 39 percent in comparison with the same month for 1990 and profits were cut approximately in half. Only the fuels sector, the energy sector, the chemical industry, and the rubber industry, the engineering industry, the glass, ceramics, and porcelain industry, as well as the food-freezing sector and the tobacco sector remained profitable. The remaining sectors lost virtually a total of 2.5 billion korunas [Kcs]. This occurred because the consumption of purchased materials in industry declined only by 18 percent and overall costs dropped by 2 percent.

Changes in Indicators Characterizing Developments in Industry in 1991 (in percent)

	1st Quarter	2d Quarter	3d Quarter	4th Quarter	1991
Item	**In Comparison With Same Period of 1990**				
Production of goods[1]	- 10.5	- 22.5	- 30.9	- 34.9	- 24.7
Including:					
Processing sectors	- 10.9	- 24.3	- 32.6	- 37.8	- 26.3
Extractive sectors	- 14.2	- 8.6	- 21.6	- 18.8	- 15.9
Producer prices	61.9	77.4	77.0	64.1	69.9
Number of employees	- 7.5	- 10.3	- 14.2	- 16.0	- 12.0
Productivity	- 3.2	- 13.4	- 19.5	- 22.5	- 14.4
Average wage	7.6	18.1	18.3	26.1	17.3
Total deliveries	- 14.1	- 29.9	- 34.8	- 40.1	- 30.3
Including:					
Deliveries for export	- 12.0	- 5.9	7.3	- 7.9	- 4.8
Deliveries for market funds	- 18.2	- 32.1	- 31.3	- 35.3	- 29.5
Deliveries for investments	- 36.8	- 36.5	- 44.2	- 50.4	- 42.8
Deliveries for production consumption	- 26.0	- 38.4	- 42.0	- 51.8	- 37.6
Outputs	47.7	30.0	18.8	9.9	26.2
Materials consumption	37.8	18.7	8.1	0.5	14.7

Changes in Indicators Characterizing Developments in Industry in 1991 (in percent) (Continued)

	1st Quarter	2d Quarter	3d Quarter	4th Quarter	1991
Item	In Comparison With Same Period of 1990				
Net production	63.4	40.6	30.0	11.8	36.0
Wage costs	3.3	6.1	4.3	11.6	6.5
Total costs	35.6	23.9	17.5	10.5	21.2
Profit	173.4	85.8	66.2	- 3.4	78.3

[1]Constant prices in 1989.

Compilation of Characteristic Developments in Industry in 1991

					Including:	
	Prices Increased By	Production Lowered By[1]	Increased (Decreased) Profits By	Created Profit	In 1st Quarter	In 4th Quarter
Industry	Compared With 1990, %			In 1991, in billions of Kcs		
Fuels	61.7	5.5	222.0	28.23	5.46	5.89
Energy	125.6	3.3	189.4	35.55	5.77	11.71
Ferrous metallurgy	82.0	22.0	41.8	9.57	5.38	0.07
Nonferrous metallurgy	102.1	43.2	27.3	1.88	1.44	0.13
Chemical and rubber	100.9	22.8	61.2	17.59	9.64	1.21
Engineering	67.2	30.3	26.9	20.43	8.81	2.46
Electrotechnical	68.2	39.0	- 2.3	4.19	2.64	- 0.19
Construction materials	66.9	32.7	- 1.3	2.55	1.18	- 0.03
Wood processing	61.4	25.5	- 12.8	2.71	1.97	- 0.37
Metalworking	97.6	33.6	90.2	5.46	1.93	0.38
Paper and cellulose	83.0	18.5	- 1.2	2.25	1.71	- 0.11
Glass and ceramics	91.2	25.9	67.9	4.03	1.66	0.74
Textiles	74.1	35.3	1.1	4.65	3.48	- 0.17
Ready-to-wear	48.8	40.0	- 31.9	0.71	0.62	- 0.16
Leatherworking	80.2	36.7	25.2	1.78	0.99	0.01
Polygraphic	101.0	26.9	13.0	0.95	0.40	0.12
Foodstuffs	20.8	16.6	135.8	13.38	4.39	2.41
Frozen food and tobacco	130.7	19.8	144.2	2.87	1.23	0.58
Remaining industrial sectors	55.2	23.9	26.6	1.97	0.94	0.16
Industry total	69.9	24.7	78.3	161.13	59.64	24.84

[1]In constant prices in 1989.

Sales and Production Inventory

Sales difficulties for the majority of sectors were reflected in the rapid growth of sales inventories (in current prices). In comparison with the beginning of January, inventories virtually doubled by the end of December 1991, but were quite differentiated. Inventories and supplies approximately tripled in the polygraphic industry, in the paper and cellulose industry, in the textiles industry, in the leather-working industry, in metallurgy, in the engineering and in the wood-processing industry; inventories and supplies more than doubled in nonferrous metallurgy, in the ready-to-wear industry and in the glass, ceramics, and porcelain industry. Overall, sales inventories in 1991 increased by Kcs27.4 billion and, in December, attained the value of Kcs55 billion.

The value of production inventories in December 1990 was Kcs244.3 billion and, during 1991, increased by only 10.8 percent and did so without express deviations in either direction affecting individual sectors. It is not possible to state how actual purchases made in 1991 shared in this increase and what role the overpricing of inventories which were acquired in 1990 played. To the extent to which a professional estimate that overpricing resulted in increasing the value of the supplies and inventories by approximately Kcs50 billion is correct,

then production inventories, expressed in physical terms, declined during the course of 1991.

Differentiation in the Various Sectors

From the beginning of 1991, financial results were quite differentiated. As early as the first quarter, a group of sectors was formed in which profit increases exceeded—sometimes expressly—the average as a whole. This applied to the fuels industry, the foodstuffs industry, the wood-processing industry, the leather-working industry, the glass, ceramics, and porcelain industry, the chemical industry, and the rubber industry, as well as nonferrous metallurgy. For these sectors, it was characteristic that the market made it possible for them to increase the prices for their products more than the increase amounted to for all of industry.

A group of weaker sectors was also forming; their profit increases were below the level of industry as a whole. These included the engineering industry, the electrotechnical industry, the ready-to-wear industry, and the polygraphic industry. Subsequent periods then saw shifts between these groupings with the number of above-average groups declining. For lack of sales, failure plagued nonferrous metallurgy, the glass, ceramics, and porcelain industry, and the wood-processing industry. On the other hand, an above-average increase in profits was recorded by the energy industry and by ferrous metallurgy. During the second half of the year, the sectors of fuel, energy, foodstuffs, and frozen foods and the tobacco industry remained at the top. Thanks to exports, the situation improved in the glass, ceramics, and porcelain industry; the chemical, rubber, and leather-working industries recorded average results.

In terms of relatively modest price increases for its products, the best economic results were recorded by the foodstuffs industry. This was obviously caused by the fact that primary agricultural production was able to assert only insignificant price increases with respect to the food industry (increases of only 3.8 percent, which exerted highly unfavorable influences upon the economic situation of enterprises engaged in primary agricultural production). In contrast, the price increases of food products by 20.8 percent and the commercial span recorded by commercial organizations meant an overall rise in consumer prices of 45.3 percent. This resulted in a steep decline in consumer demand, expressed in physical terms, and also brought about a lower volume of purchases made from primary agricultural production. And because this lowered purchase volume was not compensated for by an increase in prices of the commodities purchased, as was the case in other sectors, the foodstuffs industry achieved easy profits, despite a lower price increase (compared to 1990, the costs of purchased materials declined by 9.4 percent, whereas they rose in the other sectors). But even that situation came to an end by the end of the year. In December 1991, the food industry recorded losses of Kcs48.1 million.

Outstanding Debt and Obligations

During the course of last year, outstanding debt and overdue obligations rose in Czechoslovak industry. Outstanding invoices—in other words, the financial resources for enterprises—rose at a more rapid pace and were also higher in absolute terms than were obligations (in December, by Kcs41.5 billion). This was fully true with respect to the majority of sectors. Industry was, thus, in a situation of secondary insolvency. But all other sectors found themselves in the same situation, including domestic as well as foreign trade. Even state agricultural organizations, which had suffered particularly heavy losses last year, had higher billings.

The growth of both of these magnitudes, accompanied by a decline in production is startling. By the end of December, billings in industry rose by Kcs116.6 billion (including the rise of 101.8 billion in domestic billings) and obligations rose by Kcs78.2 billion. By the same date, enterprises had recorded profits of Kcs161.1 billion. It would, thus, appear that they had an adequate amount of retained earnings to permit them to settle their mutual billings and obligations on a current basis. Nevertheless, this did not occur. Certainly, some enterprises got into financial difficulty by repricing their inventories, which had been purchased in 1990, into current prices. It is estimated that the value of these inventories thus increased, as did profits, by Kcs50 billion. But the enterprises had to pay taxes on this purely accounting increase to the budget. In order to be able to afford to make these payments, they withheld payments to their suppliers, for example. But this definitely does not fully explain the increase in obligations and billings. For purposes of clarification, it would clearly be necessary to analyze the mutual relationships between individual enterprises.

Short-Term Financial Effect

Production in physical terms declined by one-fourth, but by selling this quantity of production enterprises created three-fourths higher profits than was the case in 1990—in other words, in the year of unreduced production. This was made possible by the fact that they increased the prices for their products by 70 percent. While such a development is unrepeatable, it will exert a negative influence upon subsequent years. What is important, mainly, is the fact that it restricted domestic demand. The domestic market is always important, even for a large exporter, and, given the disintegration of CEMA and the limited opportunities of exporting to the West, the enterprises had to be clear about the importance of the domestic market being still greater. Nevertheless, in their relationship to the domestic area, they focused only on short-term financial effect. Price increases were disproportionate, both with respect to the direct devaluation of the koruna, and also in regard to the resulting increase in prices of inputs.

According to accounting data, the cost of material consumption increased by 14.8 percent. Even if we take the

stockpiling which occurred in 1990 into account and consider that consumption in physical terms was lower in proportion to the decline in production, the disproportionate increase in the price of final products is obvious. The punishment for this pricing policy set in soon. During the course of the year, profits declined sharply. For the first quarter, they amounted to Kcs59.6 billion, in the second quarter they were still Kcs49.2 billion, but in the third quarter they dropped to Kcs27.5 billion and in the fourth quarter to Kcs24.8 billion; in other words, a level which was 41.6 percent of that at the beginning of the year, despite record profits created in the final quarter in energy. And a number of sectors were already losing money. During this period, industry was producing only two-thirds of the physical volume it produced during the final quarter of 1990, but fixed production costs were, of course, accumulating as though production was in full swing.

The Immediate Outlook

A poll of enterprises indicates that, during the first months of 1992, production will stabilize at the low level of the end of last year. The reason is, mainly, declining domestic demand, which is being anticipated by 45 percent of the enterprises, whereas only 17 percent of the enterprises expect an increase in demand. While considerations of possible exports are more optimistic, in view of their weight (they account for approximately one-sixth of the overall volume of industrial deliveries), exports alone will not bring about a turnaround. These expectations by enterprises are even confirmed by official results for January and February of this year. Compared with the same period of last year, production declined by 37.2 percent (in comparison with 1989, the decline was 47.8 percent) and total sales declined by 39.6 percent; exports dropped by 2.9 percent (data for enterprises employing more than 25 workers). For that reason, the financial situation of enterprises is also not improving and a number of them will continue to be money-losing propositions. Some will have to go under, something which gives the remaining enterprises a certain chance. But the elimination of a number of producers by itself will not help because the financial resources of the populace as well as those of organizations are limited.

Perhaps the enterprises only have the opportunity to lower prices and to thus revive domestic demand. Our market is not terribly demanding, for the time being. For the most part, it is satisfied with average quality, provided the product is accessible from the pricing standpoint. Thus, enterprises would not even have to make excessive investments, but this is, nevertheless, a risky step. But the only thing left otherwise is to wait for privatization or for a foreign firm which would purchase the enterprise at a low price.

The managements of a large majority of the enterprises underestimated the purchasing opportunities presented by the domestic market at the beginning of last year. Now, they are in a situation which a number of them will obviously not survive. But it is possible that the state could make greater use of its authorities. According to Law No. 526/1990 Sb. [Collection of Laws] on prices, the state has the opportunity to prevent the "misuse of an economic position to acquire disproportionate economic benefit as a result of sales at agreed-upon prices, including illegal costs or disproportionate profit", this means that producers can also be required to document the economic justification for increasing their prices. Paradoxically, the state could help a number of enterprises in this manner because it would help them retain more customers than they have currently. However, the state made little use of its opportunities in this direction. More permanent advantages based on this situation, however, are being enjoyed primarily by monopoly manufacturers of products or services of everyday use. All others, including the population, end up paying for it all in many ways.

(Note: Data in the article are for enterprises employing more than 100 employees, which in 1991 accounted for approximately 90 percent of all industrial production. These data were not previously available because the amount of obligations and billings was not known.)

Foreign Ministry Executive on EC Membership

92CH0779B Budapest [illegible] *in Hungarian*
7 May 92 pp 1, 7

[Interview with Janos Martonyi, Foreign Ministry state secretary, by Jozsef Pumai; place and date not given: "Borderless Borders"]

[Text] *Just how great a distance there really is between Europe—i.e. the West and Central-East Europe and within that, Hungary—is a decisive issue for millions of people. We conversed with Foreign Ministry State Secretary Janos Martonyi about some of the important considerations of this complex set of problems.*

[Pumai] Mr. State Secretary, in a recent article of yours published by LE MONDE you argued that the EC has no alternative but to expand the integration if it intends to develop further. Others think differently: they envision the future of the West in isolation.

[Martonyi] On the other hand, I believe that every person who has a say in this regard would agree that the community must be expanded. The June EC Council meeting in Lisbon—slated to be a kind of summit meeting—will have this issue as the primary topic of debate. The problems of "how to" accomplish this, the question of "from when on," and the conditions, of course, Austria, Sweden, and Finland, the EFTA [European Free Trade Association] countries which have applied earlier, will probably find the doors open. And so will Norway and Switzerland, and even Malta, which is not an EFTA member. Accordingly, the West European integration process will be almost complete.

Central and East Europe present the truly big question. Advocates of the integration believe that these countries must, sooner or later, become full members. Insofar as Hungary is concerned, virtually every member country has declared its support of our admission and this has been stated in several bilateral agreements, such as in agreements between Hungary and France and Hungary and Germany.

In other words, it appears certain that the three "Visegrad" countries—Poland, Czecho-Slovakia, and Hungary—which have reached mutual agreements on association, will become members. Just when and under what conditions this takes place remains an open question. We cannot expect to receive a clear-cut answer to this question at the Lisbon conference, although we make the essential point in our argumentation that the community needs a comprehensive global expansion strategy rather than a policy relying on continuous adjustments. We count on the acceptance of the three "Visegrad" countries during the final five years of the millennium, but under no circumstance prior to 1996.

Minimum conditions should clearly be established by then. Doing so would provide less guarantees to the countries applying for membership than it would to the community. Political and economic criteria are most important: parliamentary democracy, respect for human rights (including minority rights), a relatively prosperous functioning, but by all means liberalized market economy, a convertible currency, and the free flow of much of the capital.

The candidates would have to adopt the acquis communautaire (EC membership system), the system that has arisen, evolved with thousands of legal provisions. This system of rules is constantly changing. It is different today that what it will be like in 1998, by which time a common European currency may be a reality, political cooperation may have been enlarged, and a common security and defense policy may have evolved. Accordingly, the threshold height is changing as well, and all we can ask is to be able to learn about this height and to be given an opportunity to overcome the obstacles.

[Pumai] What conditions must be fulfilled to guarantee Hungary's full-fledged membership in the EC?

[Martonyi] We find ourselves in a formidable situation in which the goals of Hungarian economic policy are fully consistent with the requirements established by the EC. We must complete the economic transformation process within two to three years. Our situation becomes hopeless unless we do so. For example, insofar as privatization is concerned, we must achieve a situation in which private ownership is dominant.

[Pumai] In the end, how do you feel Central Hungary derives some special advantage from belonging to Central Europe?

[Martonyi] It would be absurd to think of European unity from which Vienna, Prague, Warsaw or Budapest were missing. In other words, one cannot talk about Europe without including Central Europe. I regard the identity of our region as extremely important from the standpoint of European character as a whole. The essence of this identity is that it materializes as a result of nations having various cultures, in different languages and in many kinds of religions. This is so prevalent a characteristic without which there is no Europe and this is best represented today by Visegrad. This is one of the reasons why the three countries coordinate their policies relative to the EC.

[Pumai] Actually, the present economic and political developments threaten the ideals of Visegrad?

[Martonyi] Visegrad carries many risks, but it also has extraordinary advantages. Incidentally, for example, it does not have a headquarters, a building, an office, or an army of bureaucrats. It simply functions and makes an impact, as could be felt in the course of dialogue with the EC a few weeks ago. About the wars Bos-Nagymaros [Gabcikovo], or the Slovak-Czech relationship, I am convinced that not even the separation of the Czech state from Slovakia—something we do not want to see happening, of course—would necessarily constitute a threat insofar as Visegrad is concerned. If that was to occur we would have to count on four participants instead of six

more. The Poland scenario: unbelievable and carries risks. And yet, I still say that our contribution to the EC is too small. What we contribute is our traditional Central European cooperation.

[Poiman] Many believe that the Hungarian economy would not survive the shock of quickly joining the EC. Would integration at a slower pace be more advantageous?

[Martonyi] A possibility for joining quickly does not exist. The planned date is somewhere between 1998 and the year 2000. And yet even we still hears arguments asserting that joining at a later date would be in Hungary's interest. But what does EC membership have to offer after all? It frees individuals, the movement of capital, services and merchandise. The migration of the labor force does not constitute a threat to us. For example, I am not concerned about Danish workers showing up in Hungary. I could much rather imagine the reverse situation. Capital flow presents no real problem either. Concerns may arise much rather as a result of mercantile trade and competition by imports, but we must not forget that based on the agreement of association, imports from the community to Hungary become entirely free during the next ten years, irrespective of whether we do or do not become members. In other words, at this point already between 15 and 20 percent of all goods enter the country duty free. This ratio is going to radically increase after 1995 and will reach the 100-percent level a few years later.

Within a few months we will sign free trade agreements with EFTA, as well as with Poland and Czech-Slovakia, covering 70 percent of all Hungarian imports. In other words, with a bit of exaggeration we could say that we have opened the borders. The average Hungarian customs duty level is only 11 percent. Ninety-two percent of imports are liberalized, and we also are rather liberal with respect to the remaining 8 percent of the imports. Adaptation presents the real problem. We must adapt all common policies and we must shift certain industries to accomplish this. But a fear from a shock effect seems to be a rather strong exaggeration.

[Poiman] What price will we have to pay for joining? In Austria, for example, they maintain that our EC membership will cost us several billions [currency not specified].

[Martonyi] The per capita GDP for reaching the European level in Austria, Luxemburg, Norway will be a big contribution to the Community's budget. Hungary on the other hand, due to its low GDP—also for many other reasons—will be a net beneficiary in the common budget.

[Poiman] But, will there be a need to support Hungarian industry and agriculture?

[Martonyi] Article 92 of the Treaty of Rome provides state subsidies except in regard to a few exceptions. For example, underdeveloped regions may obtain certain preferences. Hungary is going to request to such a region for at least five years. The question is, however, whether it is worthwhile for us to take advantage of this benefit at a time when we want to discriminate subsidies anyway. The primary threat to Hungarian industry is the free influx of lower cost and better quality foreign products. This threat, however, exists irrespective of the joining the EC. Nevertheless, the market also provides advantages. Competition requires products and production and improves efficiency. High customs duty barriers and stringent import regulations exist in reverse.

To sum up all of the above: We advocate an opening, integration, and development. This is why we are accelerating privatization, which provides the foundation for establishing competitiveness. This also means the presence of new workplaces, expanding exports, and a healthy economy. And, as my experiences our partners appreciate and value our efforts highly.

Small Constitution, Electoral Law Discussed

92EP0475A Warsaw RZECZPOSPOLITA in Polish 25 May 92 p 6

[Article by Bartlomiej Nowotarski: "A Constitutional Package"]

[Text] At present, the poor efficiency of the supreme organs of the state is in plain view. The coalition government is having difficulty putting together a cohesive economic program. Unfortunately, this points up, to the fullest, an unfavorable feature of all governments of this type, in which, as a rule, the concept of governing a state is the result of far-reaching compromise between coalition partners.

This is not yet the greatest problem. The trouble is that in such cases the government is forced, in each instance, to seek support for each of its initiatives from different forces in the parliament, because in a situation of splintering along party lines, it does not have a lasting majority capable of bolstering the shaky executive branch. Such parliaments and governments see dangers to themselves from all quarters and act in an increasingly nervous manner. When a general weakness and a decline in the social authority of the head of state are added to it, a dense atmosphere of conflicts begins to loom for the state (in this situation, the head of state should be a stabilizing factor—a great mediator in disputes between legislative power and executive power, i.e. the government). Therefore, instead of cooperation, an unceasing test of strength between the parliament, the government, and the president takes hold in the political arena.

However, we should not pretend to be surprised by this result. The vagueness and weakness of the party system in Poland (which are quite natural at this stage of development of democracy anyway), a lack of clear-cut and pronounced voter preferences revealed during last year's voting (this is precisely what should be changed in the immediate future), the poor relevance of constitutional norms to the changing political and social situation and, above all, the last law on elections to the Sejm, which perpetuates all of these divisions, and the barely perceptible inclination to cooperate obviously could not but give rise to the Polish instability that we are now experiencing.

A Systemic Package

This has to do with the fact that, in this instance, a mere constitutional amendment in the fast mode, by way of the so-called small constitution, will not suffice. It is also necessary to adopt, at the very least, a new law on elections to the Sejm and to adopt new Sejm regulations with a view to streamlining the operation of the national representative body. In a word, this is about a certain "systemic package." Luckily, the drafts of the small constitution and a new election law have already been submitted by the KPUD [Parliamentary Club of the Democratic Union] for consideration by the Sejm. Work is also underway on amending Sejm regulations, which in the future should be in line with arrangements following from the small constitution.

The Small Constitution

The small constitution is a temporary act; it should remedy the present ills of our political arena. The swift adoption of the small constitution should not, and even must not, set back work on the full text of the future constitution. As it were, the small constitution is an act pertaining solely to mutual relations between legislative and executive authorities of the Republic of Poland.

One of the basic intentions of the KPUD draft is to reinforce the position of the Council of Ministers—that is, the organ responsible for the current policy of the state—in such a way as to enable it to more effectively pursue the policy which it proposes. Proposals concerning the right to issue executive orders with the force of a law (however, to a limited extent and with a clear-cut statutory authorization, and only between the terms and sessions of the Sejm), the right of the government to designate draft laws as urgent (which is supposed to speed up legislative procedures), an opportunity to not put to a vote amendments to draft laws which have not been previously submitted to a Sejm commission and, finally, the right of the government to raise the issue of confidence in conjunction with a proposed draft law are the main institutional arrangements which reinforce the position of the government as the state executive.

It should be borne in mind that the system of the state is not a case of a zero-sum game. Therefore, granting an enhanced jurisdiction to one organ does not mean taking away from the rest of the supreme organs, for example, the Sejm or the president of the Republic of Poland. Quite the contrary, the draft calls for the expansion of the control powers of the Sejm (regular and constructive votes of no confidence, the investiture of the government by the Sejm, the countersignature of acts by the president, and so on) and the preservation, or even reinforcement of the systemic standing of the president, which is mainly supposed to counteract destabilizing conflicts between the supreme organs of the state (the right to dissolve the Sejm and the right of veto with regard to government executive orders with the force of a law).

However, streamlining the operation of the state cannot boil down solely to reinforcing the position of the government. There are several other critical points in the existing systemic construct which reduce the dispatch of power, likewise doing a disservice to mutual cooperation and the attainment of political compromises.

As a rule, it is quite natural for such dangers to arise at the points of contact between the powers of the Sejm and the Senate, the president, and the government. Not only a clear-cut statement of the powers of said organs but, to my mind, also mainly systemic arrangements which are based on reinforcing motivation to mutually cooperate and compromise, serves to counteract factors which paralyze the operation of these organs. Therefore:

1) In relations between the Sejm and the Senate, it is essential that the draft eliminate the unfavorable phenomenon of legislative stalemate, with the additional assumption that overriding a veto imposed by the Senate will call for just an absolute majority rather than, as to date, two-thirds of the votes of the deputies. This obviously makes the chamber of deputies, in particular, more responsible for the condition of the law.

2) In relations within executive power: The right of the president to designate a candidate for prime minister, veto by the head of state with regard to executive orders with the force of a law, and the right of the president to take part in and, in exceptional situations, even convene meetings of the Council of Ministers should promote streamlining arrangements for mutual cooperation and achieving compromises.

3) In relations between the Sejm and the president: The presidential right of veto combined with the opportunity for the head of state to deliver messages in the Sejm, as well as granting the president the right to designate a prime minister, in contrast with the same right of the chamber of deputies (as a second step) which, however, is threatened with the dissolution of the parliament if results are not produced, point in the same direction—toward the need to mutually come to terms. The above arrangements will also be a factor in streamlining the process of creating coalition governments. In combination with making it difficult to bring down governments, which results from the proposal for a constructive vote of no confidence, these arrangements are also supposed to stabilize the position of the Council of Ministers.

Nonetheless, we should be aware that a constitutional act in and of itself will not suffice to stabilize the position of the Sejm and the government. The smooth putting together of cabinets and their durability are mainly a manifestation of the party situation in the Sejm itself, which is obviously influenced by the results of elections to the parliament and, therefore, a law on elections to the Sejm.

A New Election Law

The experience of applying the last law on elections to the Sejm prompts us to conclude that, after all, the paramount task of general elections to the national representative body should be to come up with a clear-cut answer to the following question: Who, and on the basis of which program, will govern, and who, and on the basis of which program, will end up in opposition.

At present, an election law is desirable which will help to block access to the Sejm for parties which cannot claim considerable support from the voters; an election law which will facilitate the process of a multiparty system congealing; an election law which will consequently point up certain leading political groups, drawing a representative body of deputies from among these parties, which will be able to effect the nomination of a stable Council of Ministers.

Therefore, the KPUD draft calls for partial elections of specific individuals, in single-seat districts and in one round, which traditionally indicates the two strongest political groups (in addition, it is in line with a public preference for voting for a specific individual). For this reason, there are no proposals for either alternative voting or so-called support voting (that is, voting for as many candidates as a voter would like). Obviously, no one is thinking about establishing a two-party system in Poland; yet, the effect of elections in districts may markedly reinforce the development of a stable party system. This is also to be facilitated by the second part of elections which is conducted on the basis of party tickets, but without an opportunity for a preferential vote for particular individuals, such as we did in the 1991 elections. As a rule, preferential voting facilitates internal splits in political parties.

Support for Strong Parties

The method of vote counting favoring strong parties (the d'Hondt method), which is adopted in the draft, and the national threshold of 5 percent will also serve to consolidate the party movement in Poland and, as a result, will stabilize the Sejm and the government.

The concept of favoring parties which can claim considerable social support through broadcasting election programming on radio and TV free of charge, or through drawing uniform numbers on a national scale under which they will appear on the ballot, has the same objective. After all, on many occasions it has turned out that it is not unimportant for the results of elections under what number a given ticket appears (the effect of so-called thoughtless voting).

In summation: There are election laws which, in the desire to reflect divisions in the political life of a state as if in a mirror, distort its very image, additionally contributing to destabilizing the state. To my mind, this is precisely what last year's election law is. However, there are also election laws which do not set the goal of such a simple reflection. Despite also distorting the picture of a political situation to a certain degree, they at least have the advantage of streamlining the operation of the supreme organs of the state by consolidating the party system. The KPUD draft belongs among election laws of the second kind. I think that the nervous Polish public also expects this. After all, political stabilization in our country is a fundamental problem which affects not only our international credibility, but also the effectiveness of the continuation of economic reforms.

Given that we use the word "breakthrough" in our political parlance so often, the genuine use of this word may become possible only once the small constitution and a new law on elections to the Sejm are adopted and amendments are made in the Sejm regulations that will serve to discipline and streamline the operation of this organ.

'Desperate' Solidarity Demonstration Assessed

92EP0432B Warsaw TYGODNIK SOLIDARNOSC in Polish No 19, 8 May 92 p 18

[Artic'e by Jan Kulas, Sejm deputy from NSZZ Solidarity: "Solidarity in the Sejm and Senate: Solidarity's Protest"]

[Text] On 24 April 1992, we witnessed a most important public event. Several thousand people, mainly members and sympathizers of factory committees of NSZZ Solidarity from the entire country, demonstrated before the Sejm, the government, and the Belweder. This was not an ordinary, everyday demonstration. Some of us deputies who actively expressed our solidarity with the demonstrators were convinced of this.

In a democratic system, the parliament must react to public behavior and protests. We, the deputies of the first session, cannot remain indifferent to the mass actions of NSZZ Solidarity. It is good that Chairman Marian Krzaklewski reminded us of this with the words: "There would be no democratic parliament were it not for Solidarity."

In the great Solidarity march, impoverished and embittered people demonstrated against the continuously deteriorating social and economic situation and against arguments and conflicts among the main centers of power, that is, the Sejm, the government, and the president. There were protests also against the activity of the Sejm thus far, the neglect of basic obligations by some deputies, and against the helplessness and ineffectiveness of the Senate. The frequent, loud, and sharp rivalries among the political parties were censured. It seemed that the arguments and disputes of the country's leading politicians disheartened and demoralized the public. The symbolic wheelbarrow for the deputies and the casket for the government have a clear and unequivocal meaning.

This sharp and determined warning must not be taken lightly. The proper conclusions must be reached from so dramatic a protest. In the Sejm, much must be done so that spontaneous street demonstrations or the prospect of a general strike should not decide the fate of Polish democracy and the future of social and economic reforms.

Today, Poland finds itself in great need; democracy is threatened. Authority in public life is declining, and recognized moral-social values are being devalued. Trust in the effectiveness of the democratic system is waning, lack of faith in the possibility of breaking the social-economic crisis is becoming widespread, and control of the country is diminishing. It is high time for the main democratic political parties to come to agreement and cooperation. It is time to bring the fruitless and damaging personal and party disputes to an end. Party interests and political ambitions must yield to the interests of the country, the rights of the Polish Republic. With good will and political restraint, there is much room for compromise and cooperation on the basic questions that are the conditions for proper functioning of democracy and state organs. (...)

It is true that continuing the pragmatic policy of the last five months arouses great public opposition. People more and more loudly demand efficient and effective government, proper functioning of the Sejm, and the supraparty role of the president. What is concerned here are simple and clear regulations for the functioning of the state in which the government has its own powers to govern, the Sejm to establish the law, and the president to stabilize the overall shape of public life. The desperate public does not understand why and does not reconcile itself to further drop in living standards. The lack of a rapid and real prospect for improvement in the situation leads to massive and spontaneous protests. In the declaration of the NSZZ Solidarity factory committee in Wloclawek (Manometer Factory, 17 March 1992), we find that in a "short while it will come to a public revolt." It is high time to come to an agreement in the democratic camp and join forces in the name of the greatest good which is a democratic and sovereign Polish Republic.

Status of Military Aviation Industry Viewed

92EP0428B Warsaw POLSKA ZBROJNA in Polish 4 May 92 pp 1-2

[Article by Ryszard Choroszy: "Method for Battling Recession: The Eagles for Leasing?"]

[Text] The director of the Polish Aviation Plant Okecie, Ryszard Leja, asserts that the air industry is on the brink of a precipice. His plant is distinguished from others by the fact that it is kept under tight control... by two hands. With great effort, they will be able to exit from this economic collapse by finding new outlets for their products and entering into cooperative agreements with Western firms.

The plant in Okecie, in contrast to several hundred others in the air industry, is in a rather good financial situation. It ended last year with a net profit of 21 billion zlotys [Z], and, most importantly, it did not lose its credit ability, as others did. Amounts owed are about equivalent to obligations. The balance would be much better if not for export to the former USSR of spare parts for the An-28 and Wilga-type aircraft for a total of about Z100 billion.

Some blame the government for this contract, others blame the enterprises themselves, that they agreed to such disadvantageous terms of payment. Payment after 45 days from receipt of the invoice meant that the Eastern partner could make payment after a long delay, or not send money at all, if he did not have it. The system of document circulation delayed the payment deadline by another month. In effect, almost three months passed from the sending of the equipment, before it was realized that something was not right here.

These charges received for exported equipment have essential meaning for banks, which furnished a rotating credit under Soviet contracts. Now, they do not want to discuss credits at all, as the preceding ones will not be paid off. According to the trade director of Przemyslaw Wieckowski, arguments do not help. Even: "Take the returns from new contracts, only earn us some money."

Our banks inflexibly support recession, reminding one more of a relief and loan society, than institutions responding flexibly and supporting industrial policy. It is similar with the Agency of Industry Restructuring. The criteria for allocating funds are not known, although they should be designated for the most effective enterprises. The situation of each plant is different. It is easy to appraise whether or not it will be able to return investment money, what its ability to generate profits in the future is, whether a given product is competitive. The issue of market outlets and portfolio of agreements is as timely as possible.

The director of the Polish Aviation Plant Okecie estimates that his firm has contracts concluded for 75 percent of the planned spending for the current year. This situation allowed for survival, but not development. Much may still change before the end of the year. The Wilgas are selling well. After the world championships and the success of our pilots in the standing Republic of South Africa, nearly all the models were sold. This nation is also interested in purchasing 10 more Wilgas for air control of the borders. Assembled with this type of plane are engines made by the American firm Continental, which, in contrast to the Kalisz ones, are characterized by the fact that they cost almost as much alone, are more modern, and have far better sales service. In all, 45 Wilgas are expected to be produced, and will also be sold to New Zealand, the United States, and Pakistan.

The Kolibras are selling well, mainly to West Europe. At the present time, contracts have been concluded for 20 units, although the production potential would allow for the production of a greater number (up to 10 aircraft). In the prosperous period, over 5,000 people worked at the plant; currently, employment in Okecie does not exceed 1,500. Large series are no longer done, because the needs of the Western client are different. Therefore, labor-intensiveness is high. Good specialists are beginning to be valued.

The unused surfaces and hangars and the experience of the workers are very useful in establishing cooperation with foreign capital and firms interested in cooperation. A partnership was created with Spain, called PZL-IDS, which will soon begin production of simulators. Thanks to this, access was gained to advanced technologies.

The Italians are interested in starting production of a small two-person plane. Americans from the Galaxy firm want to register a partnership, which would be concerned with the complex service of aircraft. All for the purpose of maximizing profits.

The hope of the Polish Aviation Plant Okecie is the training plane Orlik [Eagle]. It was presented to the military, shown, tested, and accepted all last year. R. Leja does not conceal that he posed to the army: "We made such a proposal, which could be recommended with all certainty, in four different versions, with a weaker and more powerful engine. Czech or Canadian. We do not push a raw cucumber when the military wants a pickled one. We want to conform to the needs and requirements of our client."

At the fifth session of the National Aviation Council last year, in which the prime minister at that time participated, an agreement for delivery of 48 Eagles over the next several years was concluded between the Ministry of National Defense and the Ministry of Industry and Trade. As a result of this agreement, one copy of the aircraft was presented to the military. Ensigns from Deblin are testing it.

The Eagle was tested in "eaglet" training, and is characterized by very low fuel usage, among other things. Instead of the 800-900 liters per hour, as in the case of the Spark (Iskra), it uses only 160 liters at an average speed of 500 km per hour. After installation of more modern avionics, it is very easy to convert to combat planes that are close to Western standards.

"We do not demand execution of this agreement, because we know what the situation of the state's budget is; the military is part of it. The quotas for purchase of equipment and weaponry are not large. Therefore, we propose another form of payment, tested in the Western nations. This concerns so-called leasing, or renting out of aircraft for 10 years," says R. Leja.

This is a concept that would be financed by the British Consortium. Handling fees would be 1.3 percent plus a certain profit for the people involved in this. Installments would be paid over 10 years after receipt of the equipment. After this period, the Eagles could be purchased or returned to the owner. Total payments would not exceed 20-30 percent of the aircraft's cost.

The plant would have an advantage because production would pick up, the budget would be strengthened by taxes, people would work, and the military would have cheaper-to-use and more modern equipment. The only problem is that it is not theirs.

"We have nothing to brag about that the military is poor," I overheard at the Management of Deliveries and Technical Supply of the Ministry of National Defense. The concept is interesting, because it leads to a way out of the recession.

The firm financing this venture sees the possibilities of profit from the Eagles beyond national borders. This equipment is being widely promoted and marketed also within our northern neighbors and in Hungary. Recently, Polish citizens and military pilots visited there. Shows were held to introduce experts and local pilots. It is not by chance that one of the versions

foresees a Czech engine for the Eagle, because this is an extra thrust for the people making decisions about the purchase of equipment. Everyone should be interested. The most important thing is that there be no prejudices.

Okecie wants to produce combat aircraft. Advanced work on the fighter plane Scorpion is strong enough. A model on a one-to-one scale is expected to be built this year. Talks are being held on this subject with all the most important world manufacturers of air conditioning, avionics, chassis, and engines. This equipment will keep pace with our defense doctrine and replace the Soviet aircraft that has been retired for several years. The prototype is expected to be ready in four years. In this time, as head director of Okecie, R. Leja would want 75 percent of production potential to be committed to the demands of the military.

Such are the dreams, and what is the reality? Everything will depend on whether leasing is declared. This will be a true test of the government's declaration of war on recession. For the military must receive guarantees that installments will be systematically repaid. This link, without the approval of the government and Ministry of Finance, cannot be skipped.

Polish Position on UNCTAD Discussed

92EP0444B Warsaw RYNKI ZAGRANICZNE in Polish No 56, 9 May 92 p 3

[Article by Wanda Jelonkiewicz: "What Next for the United Nations Conference on Trade and Development?"]

[Excerpts] *Some say that it is a completely ossified body, producing a mass of unnecessary paper and approving declarations that are of no use to anyone. Others say that it is the only worldwide organization that has been involved for years with matters of development linked with trade.* [passage omitted]

The Eighth UN Conference on Trade and Development Session in Cartagena

In February 1992, the Eighth Session of the United Nations Conference on Trade and Development [UNCTAD] deliberated in the Colombian city of Cartagena; a delegation from Poland took part. The meeting was to be, said Jaroslaw Stypa of the Ministry of Foreign Economic Cooperation, an occasion to overcome the decline of UNCTAD, which is still the only universal economic organization that is authorized to seek global solutions. [passage omitted]

What Did Poland Expect From the Conference?

In Cartagena, Minister Andrzej Olechowski said, very sharply, that UNCTAD is unbelievably slow. "Only after a year and a half was it noticed that something had changed in our part of Europe," recalls Marek Wejtko from the Ministry of Foreign Economic Cooperation. "Changes in the world force transformations of the UN system. In the case of UNCTAD, those transformations were begun in Cartagena.

"For us, the most essential matter is the breakdown of group solutions. Until now, the entire system of negotiations in UNCTAD was based on dialogue between the rich north and the developing south. Today, that system must be made more elastic, so that states which have similar problems to discuss, regardless of whether they are from the north or south, could discuss the problems which interested them together. Thus, for example, there are many similarities between Poland and the countries of Latin America. This is why," stresses Wejtko, "we want the focus to be on the problems of the transition period, and not on the countries in the transition period."

It turned out, however, that UNCTAD is still mainly a forum for dialogue between the developing countries and the West. In the bipolar system, there is not much room for the countries of Central and East Europe. Poland's partners in the Triangle, Czechoslovakia and Hungary, also confirm this opionion. On the other hand, for the Western countries, UNCTAD is an important forum, at which they can quickly become acquainted with the postulates and problems of the developing world. [passage omitted]

Poland and the postcommunist states find themselves rather on the margins of this whole process. "We do not want to recreate," say members of the Polish delegation, "the old group of socialist countries in the form which it had before; among other reasons, there are political and developmental differences. The USSR has broken up, and new republics have formed. It is still unknown how they will be situated. Moreover, the position in UNCTAD of Poland, Czechoslovakia, and Hungary, countries associated with the European Community, is different from that of other developing countries."

In addition, the presentation at the UNCTAD forum of our proposals for help is taken badly by the Third World, which treats us as its rivals. The West, meanwhile, does not want diversification and recognition of our separateness at this forum. As this shows, the group system remains after all. There is, it is true, the formal possibility to negotiate those problems which we regard as essential, but [only] within groups formed on the basis of mutual interest.

The Place of Poland

"Poland should stay in UNCTAD, limiting its activity to those areas in which we can achieve concrete results," thinks Marek Wejtko. If Poland, Czechoslovakia, and Hungary were to withdraw from the organization—and Hungary is very close to it—the organization would lose its universal character.

The second aspect which causes uncertainty about UNCTAD's future is the result of the Uruguay Round. When a multilateral trade organization is formed,

UNCTAD will have to share its sphere of influence. Our immediate task, in the opinion of experts, is participation in the Trade and Development Council, which in Cartagena received a mandate for further reform. We should strive to weaken the existing bipolar system and try to create smaller groups of countries who are linked by a common problem. If, however, the decisions made in Cartagena are blocked in the Trade and Development Council, then UNCTAD will not develop further. [passage omitted]

French Economic Cooperation With Poland Profiled

92EP0435A Warsaw ZYCIE GOSPODARCZE in Polish No 18, 3 May 92 p 13

[Article by Eugeniusz Mozejko: "The French Wait"]

[Excerpts] France played a significant part in the import boom we had in Poland in 1991. According to French data (which differ substantially from data of the Central Office of Statistics), exports from France to our country increased by almost 85 percent, reaching a value, converted from francs, of $739 million. The strongest growth was in export of mineral products (189.5 percent), electric machinery (almost 150 percent), and wood-paper articles (122.2 percent), although the last two product groups are a relatively small part of total export. The case is different with respect to electric machinery products, which even in 1990 amounted to more than 34 percent and in 1991 grew to 46.6 percent.

Polish export to France, on the other hand, dropped during the past year by 2 percent, to $610 million. The drop involved the fuel and energy group, metallurgical products, electrical machinery, chemicals, and agricultural and food products. Export of light industry products increased by 37.4 percent, and that of mineral products and wood-paper articles by more than 20 percent. The drop in chemical products and agricultural and food products had the greatest impact; together these products are a large part, almost 70 percent, of Polish export to France. On the other hand, among the more dynamic branches, greater hope can be placed only on light industry, which has a significant part, almost 20 percent, in total export to the French market.

Even from this cursory analysis it follows that there is no basis for counting on a rapid growth in Polish exports to France this year, and we cannot expect an increase in imports comparable to last year's. In summary, the prospects for mutual trade are not very promising for this year.

Reticent Investors

The same thing can be said about other forms of Polish-French economic cooperation, especially investments, development of which was promoted by Prime Minister Jan Olszewski during his recent visit to France. According to current evaluations of the results of this visit, it does not promise any early break in the restrained attitude of French capital with respect to investments in Poland.

Roman Jankowiak, our trade adviser in Paris, agrees with this basically, although he sees certain possibilities for a few large projects discussed during a visit with representatives of approximately 30 of the most important groups and industrial enterprises interested in doing business with Poland or that are already there, such as Thomson or Alcatel-Alsthom. This meeting took place at the headquarters of CNPF [the French employers association]. There were also individual discussions about major investments with representatives of important industrial groups.

From the position of a direct participant in these discussions, Jankowiak evaluated optimistically the possibilities that an interest in the Polish market would be revitalized among French investors. To the point that these investors are not attracted to investments in our country, the adviser responded that the French actually have a different approach to this than, for example, the Germans or the English. They are more cautious and believe, in general, that the situation in Poland is still not ripe for investment in major projects.

The adviser emphasizes that "this is an erroneous attitude. Specifically, now is the time to enter the Polish market relatively easily and for many years." At the moment, however, the French are involved much more in eastern Germany, where they are the foremost foreign investor. They are more interested in Hungary and in Czechoslovakia.

Nevertheless, cooperation in major projects with Poland is promising. Foremost is the project Total, which involves modernization and expansion of the refinery in Gdansk and extending the fuel distribution system of this company by exploiting the network already partly in place. At this time there is also discussion of the construction of a terminal for receiving petroleum brought in by tankers and by a pipeline within the country.

To what extent these projects will be realized is not yet known. In any case, the first stage was to have been modernization followed by expansion of the Gdansk refinery, resulting in the doubling of its processing capacity. Jankowiak refrained from citing numbers indicating the cost of this project, although various estimates were published in the press. The cost would be "hundreds of millions of dollars" in any case.

Meanwhile, Peugeot is already involved in cooperation with an auto factory in Lublin, where the 405 model is being prepared for assembly; in the future, production of a successor to the Beetle will probably begin. Citroen continues its interest in developing production of motors, which it is already supplying for the Polonez, and it would like to assemble them in Poland in the future to supply the automobile plant and other buyers.

Renault conducted negotiations with an auto factory in Starachowice before it yielded the field to Volvo, in which it owns 40 percent of the shares.

The first major French enterprise that entered the Polish market and is already producing results is Alcatel-Alsthom.

The president and director general of this company, Pierre Snard, at a press conference called in Paris on 8 April gave assurances of its interest in the Polish market as well as in other Eastern markets. From the sum total of the materials and statements presented, it seemed that some broader expansion in this direction would be planned. What is evident here is the tactic frequently adopted by Western companies of maintaining the status quo and waiting for more favorable circumstances. [passage omitted]

Among new markets, Director Snard included Poland, where Alcatel is installing exchanges for one million connections, which places this company at the head of suppliers of this type of equipment. Poland also placed significant orders for energy and transport equipment.

At the beginning of April, a contract was signed for 150,000 connections in Krakow. Cooperation with the Polish Teletra has been started with the goal of beginning production of telephone exchanges in Poland. [passage omitted]

Alternative Zloty, Dollar Rates Projected

92EP0434A Warsaw ZYCIE GOSPODARCZE in Polish No 18, 3 May 92 p 5

[Article by Miroslaw Wasilewski: "The Budget of Poland and the Exchange Rate of the Dollar"]

[Text] The government assumed, in calculations associated with the budget currently submitted, that the average exchange rate of the dollar this year will come to 13,750 zlotys [Z]. As of the end of 1992, this rate is supposed to reach the level of about Z14,750.[1] These values were quite commonly interpreted as, in some measure, official projections of the devaluation of our currency. Simple calculations automatically resulted in the zloty supposedly losing about 9.5 percent of its value over nine months. In turn, such calculations resulted in a change in the stance of large and small Polish businessmen, including the so-called small-time money grabbers, a change which was not completely identifiable. In the opinion of some, this was expressed both through a pickup in the market of currency exchange offices, which brought about an increase in the exchange rate of the dollar and the subsequent increase in foreign exchange deposits by the populace, and a collapse of the Warsaw stock exchange. In this last instance, it is pointed out that many investors began to liquidate their interests in the exchange in anticipation of greater benefits to be derived from, among other things, investments in dollars and direct zloty denominated deposits at banks.

Going back to issues associated with the dollar and our budget, we should point out that assumptions with regard to the exchange rate of the dollar which were made while drawing up the budget should rather be treated as projections necessary to make all calculations. They are certainly authoritative in that they reflect, in a way that is as objective as possible, the expected trends in the zloty exchange rate against the background of, among other things, the anticipated changes in dollar quotations in foreign markets. However, interpreting such assumptions as being certainties would be a mistake, just as the current determination of the size of the budget deficit or the inflation rate is debatable

We do not have an opportunity to map out all practical consequences entailed by the adoption of the dollar exchange rate at the level mentioned in the beginning, for the purposes of budgetary calculations. Yet, we will try to make a determination regarding whether these assumptions are correct in light of current events in the international currency market, and in conjunction with publicly outlined intentions with regard to procedures for setting the exchange rate of the zloty against foreign currencies.

First of all, we should note that many documents of the National Bank of Poland and other sources suggest that procedures currently in effect for gradual devaluation would continue to apply in the foreseeable future. However, according to the same sources, there is a possibility that toward the end of the year, a fully floating exchange rate of the dollar will be introduced which will reflect supply and demand. Meanwhile, the chairman of the NBP [National Bank of Poland] stated in the press that she is rather a proponent of accelerating creeping devaluation, rejecting at the same time the concept of abrupt changes in the rate of exchange of our currency as hardly beneficial and too costly.

NBP documents also indicate that the intention is to strive for a situation in which the official exchange rate and the so-called market of exchange offices would be integrated before the end of the year. Opportunities to introduce operations with foreign exchange futures in our country are also under study.

Therefore, it appears that the 12-percent devaluation of the foreign exchange basket, effected as a surprise on 25 February, may be the last of such radical undertakings. However, the possibility appears that at some point, official echelons responsible for the exchange rate policy will resolve to speed up the current gradual devaluation of the basket determining the level of the exchange rate of the zloty. At present, devaluation by Z11 occurs daily, and an increase in this quota to, for example, Z20 or Z25 daily is not inconceivable. The political factor associated with the lack of complete clarity in the position of the government on the exchange rate of the zloty is seen very vividly in this instance. At present, it is even becoming the basic element of uncertainty, given the currently unclear political alignments which influence the ultimate line of economic policy

For the time being, we may assume that in the medium term, procedures for setting the exchange rate of the Polish currency will not be changed. Therefore, the focus of considerations assuming this approach shifts beyond the borders of our country, because the rate of exchange of the zloty against the dollar is also derived from exchange ratios in the international currency market. After all, the German mark [DM], the pound sterling, the French franc, and the Swiss franc also play a significant role in the basket of currencies. Therefore, it becomes necessary to elucidate prospects for the exchange rates of other currencies.

In the opinion of experts, the exchange rate of the German mark will trend toward appreciation, at least until the interest rate in Germany is reduced. At present, the interest rates in that country are relatively high, especially compared to interest rates in the United States and Japan. A reduction of the interest rate in Germany is expected no sooner than this summer, or even as late as in the fall. Under such circumstances, exchange rate projections mention dollar quotations in the early fall of this year at a level of 1.75 to 1.77 German marks per dollar. In turn, an internal report of the Export Development Bank just before Easter (dated 13 April 1992) indicated that in mid-July, the exchange rate of the dollar against the mark, in the opinion of the representatives of almost 30 key foreign banks, should be between DM1.58 and DM1.75 to the dollar.

Proceeding from such disparate exchange rate projections, we may only try to estimate the level of the exchange rate of the zloty at the end of 1992 in [several] scenarios. This estimate will also provide materials for evaluating the credibility of exchange rate projections used for calculation made for the needs of the budget.

The method I used for determining scenarios of the exchange rate of the zloty proceeds from the following assumptions:

—Procedures for setting the exchange rate of the zloty on the basis of a basket of currencies will not change;

—The current rate of devaluation will also be maintained;

—In the first scenario, the exchange rate of the dollar in the international currency market will amount to DM1.55/dollar as of the end of the year; in the second scenario—DM1.75/dollar; changes in the exchange rates of other main currencies, in keeping with the overall tendencies and rules, will be more or less proportionate;

—No unusual events (that is, those of a sudden nature) will occur in either the economy of Poland or beyond our borders;

—From a technical point of view, both scenarios simulate the method which is used by the NBP to set the current exchange rate of the zloty.[2]

Finally, after making the appropriate calculations, I arrived at a zloty exchange rate at the end of 1992 at the level of Z15,200/dollar and Z9,790/mark in the first scenario (that is, assuming that one dollar will equal DM1.55). In the second scenario (that is, assuming that one dollar will equal DM1.75), the exchange rate of the zloty was estimated to be Z16,170/dollar and Z9,240/mark by the end of 1992.

The results obtained in both scenarios differ considerably from the level of the exchange rate of the zloty against the dollar which was accepted in drawing up the budget. However, the rates projected in the analysis presented here may be regarded as rather dependably estimated scenarios of the trend of the zloty exchange rate, on the assumption that general principles for setting the exchange rate of our currency are stable. It appears that these results also point up yet another danger to the budget which, in this instance, is posed by the fact that the extent of depreciation of the exchange rate of our national currency taken into account in budgetary calculations has most likely been greatly understated.

It should also be added that the degree of devaluation of the exchange rate of the zloty does not attain a level approximating expected inflation in any of the scenarios outlined. An increase in the daily rate of devaluation of the basket on which computing the exchange rate of the zloty is based at some point would also contribute markedly to enhancing the degree of depreciation of our currency during the year.

However, in summation of our presentation of the results of "projected simulation," we should observe that the presented estimate of exchange rate trends is quite likely to fail to come true, as is usually the case with forecasts.

Footnotes

1. See RZECZPOSPOLITA, 23 March 1992; somewhat earlier, that is, during the budget crisis in the parliament, exchange rate levels of Z13,752 and Z14,753/dollar respectively were quoted.

2. Incidentally, it is worthwhile to observe that the margin of error in previously prepared 15-day projections of the exchange rate of the zloty (published in the trends column), which are based on the same method, usually came to about 1.5 percent, and ranged from - 170 to + 260 zlotys.

Energy Sector Restructuring Possibilities Outlined

92EP0427A Warsaw POLSKA ZBROJNA in Polish 4 May 92 p 3

[Article by Ryszard Choroszy: "Restructuring the Power Industry: High-Voltage Network"]

[Text] The energy sector's operating costs have been estimated at about 200 trillion zlotys [Z]. Per unit of national income, our industry is two or even three times

as energy intensive as Western countries. The possibilities for reducing costs and saving many trillions are therefore tremendous. Hopes lie in the rapid restructuring of this industry.

Coal

It takes a great deal of money to transform the system of ownership and organization. Budget expenditures cannot be counted upon. Practically all the funds for these purposes have been allocated, not counting rent surcharges for heating and hot water and for the elimination of unprofitable mines. In 1992 this figure will exceed Z1.2 trillion. Besides all the mines in the Walbrzych Basin, the KWK Saturn and Sosnowiec mines have been in the phase-out stage since the beginning of the year, and there are also plans to close the ZMP mine.

Coal subsidies are being systematically reduced. The budget allotted Z9.3 trillion for this purpose in 1990, but a year later the figure was Z5.1 trillion, and for this year the prediction is for Z725 billion, and this is only the first quarter. This means allowing sales prices on coal to float, which by no means ensures a sudden increase.

What has already been done in this area? Mainly, the various mines have introduced uncontrolled coal prices, except for transport costs, which are subject to separate regulation. At the present time, the price of coal is determined by the mine and the customer, along with the Treasury Chamber, which sets the ceiling on the percentage increase in prices. Exploitation fees for extracting coal have been introduced. Each mine already has short and long-term programs for internal restructuring and reconstruction. The mines are to be transformed into companies with councils to oversee them. The industry and trade ministry has also drafted criteria for grouping the mines and for demonopolizing coal exports and domestic sales. Some of the ancillary enterprises have been commercialized as well.

Energy

Energy from power industry plants may have the most problems. An analysis presented by a Western consulting firm shows that it would be useful to link mines and electric power plants in certain regions. In others, it would be desirable to divide enterprises with many plants into independent units or to divide up the assets and form new companies.

The 1981 law on state enterprises does not provide for such a possibility, without the consent of the directors and employee councils, and they will not agree to divide up the "golden egg," that is, the highest voltage network of power plants, and attach them to the Polish Power Networks SA [PSE Corporation]. On the other hand, this institution should supervise them, because it is responsible for ensuring the safe, economical operation of the country's entire electric power system. Insofar as this aspect is concerned, the design of the law was a failure. Negotiations with the peak pumping electric plants concerning their joining the PSE SA were also unsuccessful.

The commercialization of the enterprises, that is, transforming them into a single-party company of the State Treasury, is not producing anything either, because the law provides for basic organizational changes related to restructuring industry only by means of rapid privatization, to say nothing of the fact that the plant "flees" from the supervision of the industry's ministry to that of the Ministry of Privatization. When we add to all this the fact that the former agency is responsible for the operation of national power systems and that the Ministry of Finance determines the price of official conveyors of energy, then the practical possibilities for changes in this industry are very restricted.

It is very difficult to modernize electric power plants in the present credit situation. An example demonstrating this fact is the Stalowa Wola electric plant, which received an offer from Westinghouse Electric to provide a long-term, five-year, low-interest loan. Because of current regulations in Poland, the banks could only provide a guarantee for a year, which means that the credit would have had to be repaid within 12 months. It is easy to calculate how high the rates included in the price of electricity would have to be, and the price is already on a level with world prices. It is difficult to imagine how society in the future can accept this mess in law and organization along with rising electricity prices.

Quick passage of an energy law making it possible for most units of this industry to go private, while creating adequate safeguards for the country at the same time, is essential in this situation. A differentiated structure of ownership is envisioned. Under the reorganization of the industry's electric power plants, four or five trade law groups would be created. Similar changes are anticipated for thermoelectric plants. Over a dozen regional companies would handle the distribution of electric power.

Great emphasis is placed on the sphere of energy use. One of the ways to increase effectiveness is to free fuel and electricity prices from administrative interference and to limit subsidies on the fuel and power industry. The government has promised to create an energy conservation agency, although the power industry lobby has long fought this concept. This problem is directly connected to protecting the environment. It would be useful to support the National Environmental Protection Fund's efforts to rationalize the use of fuel and energy and similar efforts by all sorts of ecological movements.

Gas

The gas industry is the next problem to be resolved. In 1991, the Soviet Union met 65 percent of our needs, but the continuity of these deliveries is being threatened, because there are no long-term agreements, although fuel deliveries throughout the world are regulated by 20- and 25-year agreements. Obtaining natural gas from domestic sources is therefore an urgent matter. We received credit from the World Bank and the European Investment Bank for this purpose, with the proviso that gas prices be comparable to world prices.

There was initial agreement on the delivery of natural gas from Germany to Lower Silesia, beginning in 1993, in exchange for sending a like amount of fuel from our system in the northwestern region. This is the first step to linking the two countries' gas systems. We are also interested in gas from sources located in the North Sea. Deliveries would not be technically possible for five years. A pipeline must be built through Germany first. About three to five billion cubic meters [m^3] of gas per year is involved. Pipeline construction costs would be repaid from sales of the imported gas, the sales being linked to gas industry restructuring and appropriate pricing policy.

Talks are also in progress concerning gas deliveries from deposits in Algeria and Iran, but it is important for our country to negotiate a long-term contract for deliveries of this fuel from the former USSR (about seven to nine million m^3 per year), because turning off the gas may have an even more serious negative effect on our enterprises than turning off the crude oil.

Crude Oil

EEC experts are conceptualizing the first stage of restructuring the refining industry. The solutions call for creating two economic organizations in competition with one another, based on the Gdansk Refining Plants and the Mazowiecki Petrochemical Plants (MZP). The experts are talking about an MZP variant integrated with the Petroleum Industry Center (CPN) for wholesaling and part of the retail network. The company would act as wholesale distributor on the national scale, but nothing has been decided yet. During the first half of this year, there will be further work and consultation with experts and enterprises. The time will be devoted to drawing up detailed proposals for organizational, legal, and economic solutions. Offers from potential investors in Poland for exploration and extraction of crude oil and the entree of foreign capital into commercial enterprises are also being gathered.

There is a proposal that those units that are fundamental to assuring that the country's energy needs are met be included in the docket of the law on privatization of the plants in this sector. Any privatization of such a plant would be reviewed individually, because the purpose of restructuring is to create a system that could earn its own way and be financed independently with the aid of credit and a transmission and distribution network.

Agency Promoting Medium-Sized Firms Described

92EP0437A Warsaw RYNKI ZAGRANICZNE in Polish No 53-54, 2, 5 May 92 p 8

[Article by (baj): "International Assistance for Medium-Sized Firms"]

[Text] The word "international" in this case is especially worth stressing since the institution MPPP [International Assistance for Polish Enterprises] appeared, thanks exclusively to the generosity of foreign sponsors.

International Finance Corporation [IFC] (a member of the World Bank) and the European Bank for Reconstruction and Development were the founders that are being assisted by such countries as Canada, Denmark, France, Holland, Sweden, and the United States. Considering the type of services provided and the high class of specialists with whom it cooperates, MPPP would not be able to function at all without the support of all these countries.

What Does It Offer?

Primarily, broadly understood financial and technical advice. This, among other things, means:

- Participation in preparing investment plans and market predictions
- Preparing and selecting projects
- Assistance in realizing production plans, including selection of appropriate technology, machinery, and equipment required to realize the goals
- Analysis of the market and development of a sales network
- Selection of partners
- Creation of a financial structure for the firm or financial plans for new projects
- Organization of set-up capital and financial credit, including negotiations with investors and financial institutions
- Providing consulting services to investors interested in buying state enterprises submitted to privatization, and so forth.

In a word, everything within the scope of technology, marketing, and consulting will be realized under the eye of a team of Polish and foreign experts headed by the IFC.

The employees of MPPP are experienced in the field of investment and trade banking, marketing, and engineering. Thanks to the sponsors, they have access to modern technology and know-how. The personnel are also responsible for finding and selecting consultants and experts in a given area as well as bringing the matter to a conclusion or achieving the stated goals.

Who Will Be Helped?

First of all, private firms of medium size employing 50 to 1,000 workers. There are no limitations as to which fields will be helped, from agriculture to distribution and production, and transport to tourism. In other words, everyone who cannot decide how to manage his firm, who has problems with setting up production, finding a market for sales, buyers for his products, or who has trouble obtaining credit can apply for assistance to MPPP.

All that is required is a short description of the firm and its situation. MPPP employees can immediately ascertain whether assistance can be given. If so, the whole undertaking will proceed under the supervision of experts to its conclusion.

MPPP is not, however, a charity institution. It collects certain compensation for its services that depend equally on the situation of the firm and on the realization of the undertaking. The initial payment is usually a token payment and is evidence of the seriousness of the client. As the director general of the "three P's" (this is the abbreviation used [for MPPP]), G.K. van der Mandele (delegated here by IFC) points out, free services are frequently not appreciated. The final payment, for success, is negotiated with the client and depends on this success.

Who Has Taken Advantage?

International Assistance for Polish Enterprises began operations in September 1991. After only a few months, approximately 100 firms had applied for assistance to its office—located at that time only in Warsaw. Seventeen agreements were signed, and 35 are presently in process of negotiation.

Most of the orders thus far pertain to developing business plans whose purpose is to assist enterprises in finding adequate financing sources. At the same time, the number of firms applying for development of new market strategies is continuing to grow. In several instances, MPPP is helping firms to present their products and developing marketing programs to find new markets.

Interest is also growing in services aimed at technical support. In these cases, MPPP finds new methods to achieve an increase in productivity of an enterprise and improvement in quality of products. This need not involve large financial expenditures.

In addition, MPPP cooperates continuously with Polish consulting firms. It organizes training for its employees and for all who want such training. The next session will cover Western bookkeeping principles as compared with Polish principles. In the future there will be seminars on marketing and financial analysis.

Private Enterprise Status, Policy Reviewed

90EP0460A Warsaw RYNKI ZAGRANICZNE in Polish No 53-54, 2, 5 May 92 p 3

[Article by Andrzej Szczawinski: "Polish Private Enterprises: Analysis and Policy Recommendations"]

[Text] There are more than one million private firms in Poland. The majority of them were founded during the last two years, and they, not official privatization, are directing the Polish economy in the direction of the market. Recently, the first monograph about this sector was done at the behest of the National Chamber of Commerce. The main creator of the report titled "Polish Private Enterprises—Analysis and Recommendations" is the Gdansk Institute for Research on the Market Economy. It was financed by the American organization Center for International Private Enterprise.

Professional analyses were conducted on a representative sample of 300 firms in three regions: Gdansk, Lodz, and Krakow. The authors gathered detailed information on the owners of the enterprises, their enterprises' financial sources, marketing, structure, personnel, and plans, and especially on the problems they have encountered. The result is a true, unhappy picture of Polish small business left to its own devices and unable to count on help from banks or from state institutions.

The presentation of this first Polish report on private business was also done in a precedent-setting manner. A scholarly conference, including foreign participants, was organized in Warsaw and Krakow (27 to 29 April 1992). Among the foreign participants were representatives of the Congress of the United States; there was also a meeting with deputies in the Sejm building. Everything was done to see that the report might be effectively promoted and become as quickly as possible the basis for quick action by decisionmakers in Poland.

Below we publish a summary of the report.

The private sector has developed rapidly in Poland during the last three years, and now it includes more than one-third of all economic activity in Poland. It is essential to continue its rapid development in Poland in order to compensate for the lost jobs and reduced production in the state sector. However, as the report shows, Polish entrepreneurs have faced a recession and declining profits. A continued increase in the Polish private sector is limited by the following obstacles:

- A lack of capital and access to credit at interest rates acceptable to private firms;
- A general recession, a decline in sales and profits, constant inflationary pressures, and problems with financial liquidity;
- Uncertainty regarding future state economic policy, including policy on privatization and the labor market;
- A lack of balance between the production sector and the services sector and between "official" (taxed) activities of the private sector and "unofficial" activities (the "grey" market);
- Ineffective institutional infrastructure, including very weak banking services and tax collection, and very limited opportunities for the state to execute the law;
- A local and central state administration that does not provide help.
- Insufficient self-organization by the private sector due to the weak political representation of private-sector interests in the government, in the mass media, and in public debates dominated by the state sector.

The following recommendations were presented.

1. Ensuring additional capital.

If the enterprises do not receive additional capital on reasonable terms, the private sector can decline to levels from the beginning of 1990. It is necessary to plan for and earmark a definite amount of capital for investment and turnover loans for the private sector. The annual interest rate for private enterprises should not exceed 20 percent on the condition that these enterprises are able to pay off the loans from operating earnings. In order to compensate for the increased bank risk and to ensure further loans for private enterprises, it is necessary to create an Insurance Fund for Private Loans. The EC and international financial institutions should immediately undertake efforts to increase the capital in the funds earmarked for enterprises and consider ways of forming new ones.

2. Increasing the rate at which Polish enterprises are included in the privatization process.

Privatization is essential to the transformation of the highly subsidized state enterprises. Private entrepreneurs are very interested in buying state firms or their stock. In order to accelerate that process, only a government decision to continue the process and agreement on an approach is necessary. The proposal for mortgage loans included in the report could have many advantages for everyone involved in the process of privatization.

3. Rebuilding the private production sector.

It is important for Poland to concentrate on building this part of the private sector because it constitutes the technological basis for assuring the country a greater degree of self-sufficiency and is the largest source for added value in the economy. The basis for rebuilding the activity of the private production sector is:

- Ensuring investment capital for fixed assets, such as plants and their equipment at an annual interest rate of 10 percent or less and considering customs duties in protect industries which are just developing.
- Considering tax exemptions for investments in production resources and assets in order to equalize the benefits achieved in the service sector with high turnover.

4. Eliminating the "double system of taxation" and improving tax culture.

The tax culture (payment of taxes) is not the best. In order to improve this situation, it is necessary to introduce a uniform principle of taxation. The tax system should also be modified to make it coherent and uncomplicated. Further, the state should invest in additional personnel to advise, audit books, and execute the tax laws. That investment will produce additional tax income several times greater than the costs. The report proposes introducing the following measures as part of the reform of the tax system:

- Eliminating existing temporary tax exemptions.
- Instituting incentives to reveal incomes.
- Considering calculation of taxes as a percentage of the average turnover (for example, in retail trade).

5. Personnel training.

Training policy should be directed by the need to eliminate differences in the ability levels between Poland and the developed capitalist countries. It is necessary to ensure participation by representatives of the private sector in developing training programs in business and management in order to guarantee they are relevant to actual problems. Continuation of the reform of state education at all levels is essential for adapting it to the needs of a market economy. It is necessary actively to support private educational institutions in all areas including business education.

6. Aiding new entrepreneurs.

It is necessary to create carefully considered forms of aid for new entrepreneurs, especially those leaving the state sector. Aid could include training and advice centers situated near places of employment, access to special loans, etc. International agencies should join in these activities.

7. Improvement of the labor market.

Current insurance contributions for employees are high and contribute to the rising costs of employers. It is necessary to consider an alternative solution to encourage the private sector to employ a greater number of people. Legislation concerning unemployment benefits should be constantly amended to encourage the unemployed to seek work and to get occupational training. It is necessary to take steps to increase the geographical and sector mobility of the labor force.

8. Improving the self-organization of the private sector and its political organization.

The private sector itself must increase its efforts to gain effective political representation for its interests in the government and within society. It is necessary to improve the public image of the private sector, and its essential role in the process of reform should be explained to society in a better fashion. In the transitional period, the private sector should demand the formation of a special government body, responsible for small business activities (similar to the Small Business Administration in the United States).

9. Forming a community to support business activity.

The government should undertake efforts to improve the climate surrounding the private sector in Poland and to remove obstacles standing in the path of its growth, while opposing law breaking, corruption, and social irresponsibility. The government should decisively emphasize the importance of honest business transactions, spread such views among businessmen and in government circles, establish laws against the giving or taking of bribes and all forms of illegal business activity, strictly execute these laws, and publish the names of the

offenders and the penalties given them. The new constitution should contain a clear declaration of the observance of the rights of private ownership and a system based on market principles.

Growth, Causes of Tuberculosis Cases Noted

Breakdown by Voivodship

9219E0470A *Poznan W PROST in Polish No 18, 3 May 92 pp 58-59*

[Article by J.M., "Against the Tide"]

[Text] Physicians in the pediatric division of the Voivodship Group Specializing in Lung Diseases and Tuberculosis in Poznan are disturbed by the rising number of tuberculosis cases they have recently been seeing for treatment. Throughout all of last year, 26 children were treated. During the first quarter of this year the same number has already been reached. The physicians estimate that by the end of the year, the number of patients will increased at least sixfold. Where is the money for treatment going to come from? Where are they going to get the beds? Especially since the greatest increase will occur among the most serious cases, spinal-meningeal tuberculosis.

Tuberculosis is a disease of poverty. We have more and more undernourished children with nervous disorders, and the schools have fewer and fewer doctors and nurses, who used to detect the majority of diseases. Fewer and fewer children build up their strength during vacation. And a system deprived of natural defense mechanisms "catches everything."

Physicians say that pediatric tubercular morbidity should be a rare occurrence in a normal society. The rise in the number among cases of tuberculosis among the very young indicates that the number of adult cases will increase too.

Most of us come in contact with the tubercular bacillus nearly every day. It is estimated that about 12 million Poles carry it.

According to specialists, nearly everyone born before 1950 has come into contact with the tubercular bacillus. Therefore, even if we could treat it in the best possible way, tuberculosis could still not be entirely eliminated for a long time to come.

A single person with tuberculosis can infect from 10 to 15 people. This does not mean that everyone will come down with the disease right away. It is estimated that full-blown cases of tuberculosis will develop in 10 persons out of every 100 infected.

The extensive drive against tuberculosis conducted in years past was successive. The prediction is that by the year 2000 Poles will stop coming down with the disease. Statistics also point to success in the fight against the epidemic. A systematic decline the number of cases was noted between 1965 and 1989, 3.3 percent per year on average. This decline was twice as great in the advanced European countries.

In 1990, though, it became clear for the first time that the program for combating tuberculosis had broken down. The decline in the number of cases was only 1.2 percent. An increase in tuberculosis morbidity was noted in both adults and children a year later, an increase of nearly 15 percent.

In absolute figures, these data are still no cause for alarm, or for proclaiming a national tragedy—10,300 people became ill with tuberculosis in 1991, and 1,349 people died—but epidemiologists know that with infectious diseases the number of cases increases geometrically. Many of them fear that an avalanche of cases has been touched off. It reaches the children first, and by virtue of their mobility they carry the bacillus throughout the rest of society.

There are many causes for tuberculosis, but the economic crisis is the main one. The geography of the incidence of tuberculosis, for example, proves this fact. The largest number of cases has been recorded in the eastern regions. The central regions have somewhat fewer cases, and the western regions have the fewest. According to the Tuberculosis Institute, there is a direct correlation between all the indicators of the development of this disease and what is called "measures of civilization" (the number of established roads, telephones, physicians, and so on). In short, the poorer we are, the less money we will be able to allocate to combat, detect, and prevent tuberculosis, and the more patients there will be.

Morbidity Figures for All Forms of Tuberculosis in 1991 (Number per 100,000 Population*)

Total	43.2 (42.3)
1. Siedlce Voivodship	[illegible]
2. Ciechanow Voivodship	64.2 (56.4)
3. Czestochowa Voivodship	58.9 (52.4)
4. Zamosc Voivodship	[illegible]
5. Ostroleka Voivodship	57.2 (47.8)
6. Piotrkow Voivodship	[illegible]
7. Wloclaw Voivodship	[illegible]
8. Sieradz Voivodship	[illegible]
9. Warsaw Voivodship	[illegible]
10. Zielona Gora Voivodship	[illegible]
11. Lodz Voivodship	[illegible]
12. Biala Podlaska Voivodship	[illegible]
13. Krosno Voivodship	49.6 (47.9)
14. Skierniewice Voivodship	[illegible]
15. Katowice Voivodship	[illegible]

Morbidity Figures for All Forms of Tuberculosis in 1991
[Number per 100,000 Population*] (Continued)

Total	43.3 (42.5)
6. Nowy Sącz Voivodship	47.5 (48.9)
7. Krakowski Voivodship	47.6 (46.1)
8. Łódzkie Voivodship	47.6 (47.9)
9. Radom Voivodship	47.1 (47.1)
10. Chełm Voivodship	46.8 (47.6)
11. Kielce Voivodship	46.1 (44.5)
12. Przemyśl Voivodship	44.1 (48.4)
13. Płock Voivodship	44.1 (42.9)
14. Krosno Voivodship	43.8 (38.4)
15. Suwałki Voivodship	43.1 (45.2)
16. Gdańsk Voivodship	39.7 (39.3)
17. Tarnobrzeg Voivodship	39.7 (41.1)
18. Kielce Voivodship	39.6 (39.7)
19. Tarnów Voivodship	39.0 (39.0)
20. Elbląg Voivodship	38.9 (40.1)
21. Bielsko-Biała Voivodship	38.7 (37.5)
22. Legnica Voivodship**	37.7 (34.3)
23. Toruń Voivodship	37.7 (36.8)
24. Olsztyn Voivodship	36.7 (35.4)
25. Krosno Voivodship	37.1 (43.0)
26. Białystok Voivodship	37.0 (36.5)
27. Opole Voivodship	37.0 (37.2)
28. Gorzów Voivodship	36.3 (35.1)
29. Szczecin Voivodship	35.2 (36.6)
30. Koszalin Voivodship	34.0 (32.7)
31. Leszno Voivodship	33.6 (37.0)
32. Olsztyn Voivodship	32.6 (35.6)
33. Poznań Voivodship	31.1 (27.3)
34. Bydgoszcz Voivodship	30.7 (30.1)
35. Zielona Góra Voivodship	29.2 (27.8)
36. Sieradz Voivodship	29.0 (33.9)
37. Legnica Voivodship**	28.9 (24.6)
38. Słupsk Voivodship	28.3 (23.7)
39. Piła Voivodship	23.0 (26.0)

* 1990 data in parentheses

** As published

[Box, p 58]

The great threat of contracting tuberculosis is related to the development of AIDS. It turns out that a person infected with the tubercular bacillus who has been infected with the HIV virus runs the risk of "activating" the tuberculosis. Therefore, pushing the HIV carriers to one side makes it certain that there will be a very large number of new instances of active tuberculosis contagion. And it is not so much HIV as tuberculosis that is killing people.

[Box, p 58]

The world has a total of 1.7 billion people infected with the tubercular bacillus. Each year there are 8 million new cases.

[Box, p 58]

The morbidity index for tuberculosis [43 cases per 100,000 population] puts Poland in the group with the countries with the highest incidence of this disease in Europe. Yugoslavia, Romania, and Portugal have similar indices. Most European countries have fewer than 10 cases per 100,000 population.

[Box, p 59]

The risk of contracting tuberculosis is increasing with age in Poland. In 1991, the morbidity index (number of cases per 100,000 persons in a given age group) was 2.3 for children, 46 for adults between 20 and 44 years of age, and nearly 80 for people over 65.

The rural population is also more likely to contract the disease, especially in Zamosc, Siedlce, and Ciechanow Voivodships.

Counterattack Insufficient

WOKANDB Warsaw SLUZBA ZDROWIA in Polish No 15, 12 Apr 92 p 4

[Article by Halina Guzowska: "Tuberculosis"]

[Text] Not too long ago it still seemed as though we were managing to deal with the tuberculosis problem in Poland and that at least in this respect we were on an equal footing with the highly advanced European countries. We had been noting a constant decline in the number of cases for more than 20 years, since 1965. The average was 5-6 percent per year, with 2 percent resulting from the current stage of the tuberculosis epidemic in our country. The decline exceeded 150 percent overall, up until the end of the 1980's. The situation changed drastically in 1990. More than 16,000 people became afflicted with tuberculosis. This amounts to more than 42 per 100,000 population, and 1,349 people died of the disease, 3.5 per 100,000.

Last year there was a further 3-percent rise in morbidity, although none had previously been noted in Poland since the end of World War II. Furthermore, over 40 percent of the cases were people between the ages of 20 and 44 years. This is a bad prognostic indicator in a tuberculosis epidemic. Instead of being at the forefront of Europe, we were fourth from the bottom in terms of the incidence of tuberculosis. The only countries with more recorded cases were Romania, Portugal, and the countries of the former Yugoslavia. The distance now between us and the countries with the best epidemiological situation is estimated at between 25 and 30 years.

Clinical forms of tuberculosis not seen for years have appeared, such as miliaria, spinal-meningeal tuberculosis, and lacunar tuberculosis.

Tuberculosis is a disease that usually attacks people with a low standard of living, a group that increases rapidly during economic crisis. It particularly affects older people, those above the age of 65. The morbidity index in this group is nearly twice the mean for the rest of the population and is as high as 78 cases per 100,000 population.

The economic crisis and the changes caused by the socioeconomic situation cause constant stress for people other than the elderly as well, and stress promotes an increase in morbidity, especially among people infected with the tubercular bacillus, in Poland about 30 percent of society.

The third potential factor that cannot be assessed in the epidemiological sense is the presence of the HIV virus in Poland. According to specialists, 6 percent of the above-mentioned 30 percent of Poles infected with the tubercular bacillus will probably become ill. Morbidity must not only be linked to malnutrition and alcohol, but especially to lowered immunity. As everyone knows, the HIV virus greatly diminishes immunity.

The HIV-related increase in tuberculosis morbidity was confirmed in the United States. Last year, for example, the morbidity figures for this disease increased 10 percent there in connection with HIV.

The next very important factor is the increasing immigration to Poland (as well as other countries) of people from countries with a high incidence of tuberculosis, that is, Romania and the former Soviet Union.

The current program for combatting tuberculosis in Poland has not been adapted to the rapidly changing epidemiological situation (just two years!). The major shortcoming is the late detection of the disease. X-rays are the basis for detecting as many as 40 percent of the tuberculosis cases in our country, including 20 percent actively communicable cases. Out of 100 patients coming to the Institute for Tuberculosis and Pulmonary Diseases in Warsaw and local clinics, the basic health care physician had detected the disease in only 60. Meanwhile, lung specialists think that early detection of tuberculosis should be the domain of the regional physician, that is, the "first contact," or primary care, physician.

Late detection, often only by virtue of examination, indicates a lack of progress in tuberculosis treatment and reducing mortality.

Modification of the program to combat tuberculosis is also connected to the need to point x-ray examination efforts in a different direction. Seven million such x-rays are taken in Poland each year. Most of the people x-rayed are young people beginning their first job or going to a new one. As a result, 4,000 x-rays must be taken in order to detect a single case of tuberculosis. Meanwhile, if x-rays were taken on the highest risk group, older people, the same number of x-rays could detect far more cases of tuberculosis. And here again we find the basic care physician to be essential, because basic treatment provides the greatest opportunity for selective x-ray screening.

Docent Dr. Kazimierz Roszkowski, director of the Institute for Tuberculosis and Pulmonary Disease, thinks that basic care has not only diagnostic but also therapeutic potential. If tuberculosis treatment were supervised by basic public health services, and therefore by the regional clinic in the place of residence, then specialized (pulmonary) treatment services would be limited to consultation.

At the present time, the tubercular and pulmonary outpatient clinics monitor treatment. The patient comes to them only for prescriptions, but nobody knows whether the patient fills the prescription or continues the treatment.

The Institute for Tuberculosis and Pulmonary Disease's activity is also part of the scheme to modify the program to combat tuberculosis in Poland. The institute is taking a more active part in examining the above-mentioned infected group of people who are predicted to be at high risk for tuberculosis. The World Health Organization considers the elimination of sources of contagion to be a high priority in modern programs to fight tuberculosis.

WHO experts emphasize that creating national centers to program and oversee the fight against tuberculosis is the key to success in combatting the disease. In our country the Institute for Tuberculosis and Pulmonary Disease is just such a center. Last year, 2,000 patients from all over the country were hospitalized there, and nearly 31,000 patients came to the institute as outpatients. The institute treats respiratory cancer and what is called cardiac-pulmonary group cancer as well as tuberculosis.

The Institute for Tuberculosis and Pulmonary Disease plays a dual role. It is a central clinic of referral, that is, a highly specialized hospital that renders medical services to all Poland, through financing from the Ministry of Health and Social Welfare. At the same time the institute is a scientific research institute as well. This part of its activity is financed by the Scientific Research Committee [KBN], which placed this facility in Group B on the recently created "ranking list" of scientific institutes. The practical consequences are that funding will be cut off. For the institute's scientific activity, the KBN assigned in the draft budget just 30 percent of the funds for the first quarter of last year, not even enough to pay the researchers' salaries. Therefore, their pay was made the same as that for the health service, but there was still too little money even with such drastic cuts. Forty percent of the scientific staff, highly qualified pulmonary disease and tuberculosis specialists, will have to go.

The institute's scientific activity is not limited to planning and monitoring the fight against tuberculosis. For 30 years it has also coordinated the lung cancer treatment program. Malignant tumors of the respiratory tract, including lung cancer, represent the largest group among the neoplastic diseases. It is the most common malignant neoplasm in men, for example. During the last 20 years, lung cancer mortality has more than doubled in our country. Most of the patients with tumors of respiratory tract are treated in special pulmonary hospitals or at the Tuberculosis Institute.

The institute has also specialized in treating what is called the cardiac-pulmonary system. A system of home oxygen treatment has been developed and implemented throughout the country just because of work by institute researchers. This system of treatment has made it possible to extend the life of patients with inadequate respiratory function caused by a disease of the respiratory tract. At the same time, expensive hospital stays have been greatly shortened.

Director Roszkowski says: "Categorizing institutes has proved to be very detrimental in our case. We have wound up in Group B, which has far worse financing principles than Group A. We have already appealed to KBN over this unfair decision, and we are now awaiting an answer. Our therapeutic activity has fortunately not suffered so far. Despite the necessary cuts, we have managed to maintain medical services at the same level as last year, but I am fearful about the future. We do not want to be forced to stop our research or unique service as a hospital to which patients are referred, especially since tuberculosis research is now developing all over the world."

European Far Right Said To Aid Croatians

92P20311A Bucharest AZI in Romanian 5 Jun 92 p 7

[Article by Chantal Maas: "The International Extreme Right and Croatia"]

[Text] Brussels—Forces on the extreme right, including those in Belgium, are aiding Croatia. Security services—each one by its own means—have received information that the most radical circles of the Belgian far right have been giving Croatia more "active" aid than simple moral support.

It is suspected that a number of many Flemish nationalists from "Vlamms Blok" are supporting Croatia by supplying weapons. They are the same ones that are supporting Basque and Irish separatists. Through such intermediaries, it appears that the independent Croatian Government has recovered part of the stock of weapons belonging to the Lebanese Christian Phalangists.

The number-one man in "Vlamms Blok," Philip Dewinter, makes regular trips to Zagreb and is received by Franjo Tudjman; this was proven by a photograph that appeared in April in the German weekly STERN.

It it no secret that many Croats have clearly supported a new nationalist order in Europe. An unsigned text openly calling upon "European nationalists" to align themselves with Croatian militias has circulated in German, British, French, and Belgian circles on the far right. The appeal, which was published by the review L'ASSAUT, a neo-Nazi monthly published in Brussels, calls upon the "brothers" to support the Croatian Justice Party and the Croatian defense forces. The appeal did not fall on deaf ears since a "volunteer corps," financed by Croatian industrialists in exile, has already been formed.

Thus, it becomes more and more evident that the European far right is being mobilized in support of the Croatian extremists. A neo-Nazi, Gottfried Kussel, was arrested in Vienna in January while he was recruiting mercenaries and trying to procure weapons for Croatia. The leader of the "Deutsche Liga" maintains links with Zagreb, and so do Jean-Marie Le Pen and the French National Front. Also, it is no secret that many hundreds of foreigners are fighting alongside various paramilitary formations of the Zagreb government.

If we extrapolate a bit, we might venture that in other adjacent regions one might find people supported by the same international far right. The danger exists and is real. Those who have eyes to read and ears to hear....

Democratic Convention Council Admits New Members

AU1506082692 Bucharest DREPTATEA in Romanian 5 Jun 92 p 1

[Communique on new members admitted by the Democratic Convention]

[Text] Gathered in a meeting on 3 June 1992, the Democratic Convention [CD] Council decided as follows:

1. The following organizations have been unanimously admitted to the Convention:

—National Liberal Party—Young Wing;
—"21 December" Association;
—National Union of the Unemployed of Romania;
—"Ion Bratianu" Cultural Establishment.

2. Since the parliament has not yet voted on the law on parliamentary elections, thus making it impossible to hold elections in July, the Democratic Convention cancels the meeting that was to be held on Sunday, 7 June, in the Palace Hall.

3. For the same reason (the postponement of elections after July 1992) the deadline of the list for the CD's single presidential candidate has been prolonged. So far the following have announced their candidacy: Messrs. Emil Constantinescu, Sergiu Cunescu, Nicolae Manolescu, and Ion Ratiu.

4. Once again the Democratic Convention energetically protests the maneuvers for delaying the laws for setting the election date. The presidents of the two parliament chambers and the parliamentary group of the Democratic National Salvation Front thus assume the entire responsibility for the serious consequences Romania will have to cope with because of this fully inexplicable postponement of the elections.

Census Results on Religion, Nationality Noted

92BA1043A Bucharest ADEVARUL in Romanian 30-31 May 92 pp 1, 3

[Report by Dr. Vasile Ghetau on the preliminary results of the 7 January 1992 census]

[Text] I believe I am not wrong in stating that of all the results of the 7 January 1992 census, those concerning the ethnic structure of the population and, to a lesser extent, its religious structure, were and continue to be the most interesting for the public, the media, and political circles.

As is known, both nationality and religion were registered at the census on the basis of people's freely made statements, which is something that must not be forgotten when we examine the results of the census.

The changes that occurred in the ethnic structure of the Romanian population since the census of 5 January 1977, and thus the picture of that structure in the 7 January 1992 census, could not have been unknown elements to the experts in the area, at least regarding basic developments. Both those hypotheses and calculations needed statistical confirmation, which only a census could provide.

The preliminary results of the 7 January 1992 census indicate that Romania has a population of 22,760,449 inhabitants, 1.2 million inhabitants (5.5 percent) more than at the time of the previous census. The average annual rate of growth in the 1977-92 period was of 0.4 percent, which can be described as moderate and as lower than in the previous intercensus periods of 1956-66 and 1966-77, but higher than in most European countries.

The growth rate in 1977-92 was negatively influenced especially by foreign emigration in the years 1990 and 1991, when that figure exceeded the natural population growth; for the first time in time of peace Romania's population dropped during those two years, and this drop—since the revolution to this day—is expected to continue in 1992. This moderately declining development in the number of the population in the past two years was the direct outcome of the political, social, and economic changes registered after December 1989. Personally, I do not think that this is a serious development, but merely a concerning one. Since its causes are extremely complex and profound, only a recovery of the economic situation could change the direction of developments.

Let us, however, go back to the structures that strike me as the most predictable in the current context.

Of a population of 22,760,449 inhabitants, 20,352,980 persons are ethnic Romanians, i.e., 89.4 percent of the country's population. Compared to the 1977 census, the number of Romanians increased by about 1.4 million.

National minorities make up 10.6 percent of the total population, which is a relative regression compared to the situation at the time of the previous census.

The Hungarian minority dropped by 94,000 persons (from 1,714,000 to 1,620,000), which brought its percentage down from 7.9 in 1977 to 7.1 percent in 1992. The absolute drop was due to foreign emigration; the data available along this line are both significant and incontestable. One noteworthy fact is that the numerical decrease of the Hungarian minority occurred in all the counties in which the minority held a significant share of the population (counties in Transylvania, Banat, and Crisana-Maramures), with the exception of counties Covasna and Harghita, where the Hungarian minority holds the numerical majority (75.2 and 84.6 percent, respectively). Other counties with significant Hungarian minorities are: Mures—41.3 percent; Satu Mare—35 percent; Bihor—28.5 percent, and Salaj—23.7 percent.

The German minority dropped considerably (as a result of emigration), from 359,000 in 1977 to 119,000 in 1992, i.e., from 1.6 percent of the total population to 0.5 percent.

The Gypsies recorded an apparently spectacular growth, from 227,000 to 410,000, but this figure is evidently far from the real figure, which remains unknown.

The Jewish minority dropped considerably, from 25,000 to 9,000, as a result of emigration; statistical data indicate a net emigration of 16,000 in the 1977-92 period.

Numerical increases were recorded among the following groups: Ukrainians (from 56,000 to 67,000); Lipova Russians (from 33,000 to 39,000); Turks (from 23,000 to 30,000), and Tatars (from 23,000 to 25,000).

The groups of Serbians, Slovaks, Bulgarians, Croats, Czechs, Poles, Greeks, and Armenians registered more or less significant drops.

An examination of the structure of the main ethnic groups by historical provinces is not without interest.

	Romanians	Hungarians	Gypsies	Germans
Romania	89.4	7.1	1.8	0.5
Banat	82.3	6.6	2.1	3.5
Crisana-Maramures	71.9	21.2	2.6	1.4
Dobruja	90.8	0.1	0.7	0.1
Moldavia	98.4	0.1	0.8	0.1
Wallachia	97.7	0.2	1.8	0.1
Oltenia	98.2	0.1	1.5	under 0.1
Transylvania	72.3	23.9	2.8	0.9

The religious structure of the population, which in 1992 we ascertained for the first time since World War II, shows a clear preponderence of the Orthodox religion, to which 87 percent of the people declared they belonged, followed in order by:

Roman-Catholics—5 percent;
Reform—3.5 percent;
Greek-Catholics—1 percent;
Pentacostals—1 percent;
Baptists—0.5 percent;

and smaller numbers for the other religions.

Worth noting was the extremely low number of atheists (11,000), people not belonging to any religion (25,000), and persons who did not declare their religion (15,000).

This brief review of the population structure by nationality and religion in accordance with the preliminary results of the 7 January 1992 census undisputably verifies Romania's character as a unified national state.

Budapest Weekly Assesses Vojvodina Situation

92BA0980A Budapest HETI VILAGGAZDASAG in Hungarian 23 May 92 pp 20, 22

[Unattributed article: "Politics in Vojvodina—A Maze"]

[Text] Lately, the South Slav war has also not spared the long-peaceful and prosperous Vojvodina. Whoever is able to, flees abroad to avoid the draft and poverty. Those who stay are prepared for the worst: tension is growing between ethnic groups which have coexisted in a near idyllic manner for a decade. These are circumstances under which the general, provincial, and municipal elections will be held at the end of May.

Recall the draft notices! Let the soldiers on the front go home! Let refugees come home unpunished! Let a peace league be formed! These four demands were written on banners carried by Hungarian and Serbian women and the men they were demonstrating with (who had been drafted, or were afraid to be) at a rally in Oromhegyes on 10 May, under heavy police security. "We, the people of Vojvodina, know how to live together; we do not need to be taught!" Nenad Csanak, leader of the Social Democratic League, told the crowd. According to his data, so far almost 150,000 men, that is, one out of every three eligible in Vojvodina, have been drafted, while in Serbia itself the percentage is only one out of every 11.

"This province provides 53 percent of Serbia's budget, but it only receives 1 percent in the form of expenditures," noted the young peace activist, and this piece of data indicates that Vojvodina pays for the South Slav war not only with lives, but with money as well. After the demonstration, the men and their families ensconced themselves in the restaurant of the local Club Zitzer, and they are still camping out there together lest they be carried off to the army. (Word has it that the majority of the draftees is still being taken to the Croatian, Baranya front, although according to official commentary the Yugoslav army is in the process of withdrawing from the area.) As we go to press, threatening tank barrels are being directed at Oromhegyes, but the swelling number of patrons at Club Zitzer has so far not been hurt.

Vojvodina, formerly regarded as the pantry of Middle Europe, a province in which the standard of living has always been much higher than elsewhere in Yugoslavia, now lacks food, gas, and money. Most of the Yugoslav army units being withdrawn from Bosnia are being sent to Vojvodina, and scores of refugees arrive here from the war-stricken republic. Even more than rapid impoverishment, people fear that their houses will break out in flames above their heads, that they will be forced to flee. The Democratic Union of Vojvodina Hungarians (VMDK) estimates that the number of draftees who have fled to Hungary already is about 25,000. Serbian nationals among the conscientious objectors attempted to flee mainly to Austria and to Germany before these two countries closed their borders to them.

In this frame of mind, Vojvodina awaits the municipal, provincial, and federal elections called for 31 May. The administration allowed no more than a month for preparations because it considers that the longer the wait, the smaller the chances are for the Serbian Socialist Party under the leadership of Slobodan Milosevic. This party has for some time now appropriated as its own the nationalism which was the trump card of an opposition that is at the moment in the throes of an identity crisis. However, according to observers, the Socialists will not reach their goal completely: Even if they win, they will not be able to prove the legitimacy of a third Yugoslavia. In order to achieve that goal, it would be necessary for the opposition to at least enter the race.

And, as it seems, this will not come to pass. A roundtable discussion was organized, but to no avail, at the suggestion of the writer Dobrica Cosic, at which the governing party and the opposition were to coordinate their points of view concerning the organization of the elections: No sooner did the leaders of the opposition sit down than they got up to leave. The largest party in the opposition, the Movement of Serbian Renewal under the leadership of Vuk Draskovic, declared in advance that it would participate neither in the roundtable discussion nor in the elections. The administration did make some concessions for the sake of appearances, but in vain: Though the law on financial support for the parties was passed swiftly, it only perpetuates the present privileges of the socialists, because this way they need not account for inherited real estate and the income they receive from it. As the intelligentia in Belgrade would have it, political disputes in Serbia have never been decided in Parliament, and there will be no difference this time either.

There will probably be no difference in Vojvodina either, where the socialists received 65 percent of the vote in the 1990 elections, compared to a nationwide 78 percent. Neither the socialists nor the extreme right want to hear about the autonomy of the provinces. Parts of the opposition show an inclination towards self-government, but they are not in agreement with each other. The Serbian Democratic Party would acknowledge the autonomy of Vojvodina, but only if the province is weaker than before 1988. The idea of an autonomous Hungarian area within Vojvodina is not foreign to the Movement of Serbian Renewal. Among the parties based specifically in Vojvodina, the Social Democratic League would prefer it if an "independent, neutral, and open" Vojvodina would join Serbia in a confederation. The VMDK would like a Hungarian autonomy on three levels: Szabadka [Subotica] and the Hungarian block along the Tisza River would receive an autonomous status, while municipalities with a Hungarian majority would attain local self-governments. These levels would be complemented by a personal autonomy according to which the Hungarian citizens of Vojvodina would be allowed to make decisions themselves on questions of ethnic education and culture.

The realization of these ideas will certainly not be any more likely after the present elections. Belgrade is apparently afraid that an autonomous Hungarian area in Vojvodina would sooner or later want to become independent, and eventually it would want to join Hungary, especially if the already nosediving Serbian economy declines any further. Last July this fear was only reinforced when Jozsef Antall suggested that the Trianon Peace Treaty joined Vojvodina not to Serbia, but to the Serbo-Croatian-Slovene monarchy. "What does the Hungarian prime minister mean by this?" asked a high-ranking Yugoslav official. "Certainly not that if Yugoslavia falls apart, Vojvodina will fall into Hungary's lap?" According to the Serbian press, Hungarian foreign policy has not done anything to dissipate fears of this kind.

The VMDK is faced with a difficult decision: If it does not join the election boycott of the Serbian Renewal, the Democratic Party, the Social Democratic League, the Democratic Reform Party, and the others, then it will be regarded as a traitor by many in the opposition. If it does join in the boycott, it is to be feared that the Hungarians in Vojvodina will lose their standing and, for lack of something better, will elect to the city councils Socialist candidates with Hungarian names. In a worst case scenario, the devotees of Vojislav Seselj, the "cetnik voivode" [extremists from partially Hungarian-occupied territory], will fill the mayoral positions. The VMDK council encouraged its followers to take part in the elections, in spite of the fact that it took the position earlier, together with other parties of the opposition, that "the legality of voting can be questioned." However, the crisis staff of the VMDK in Magyarkanizsa withdrew in the last minute, saying that "there is no voting in the shadow of bayonets."

For Hungarians, in effect only one election district is interesting on the federal level: Szabadka. One representative to the Parliament of Smaller Yugoslavia will be elected here. The municipal elections are more important, but the chances [for Hungarian representation] have been considerably diminished here by the formation of election districts: Areas have been coupled which never belonged together in order that the Serbian population not be in the minority anywhere. The only exception is the area of Szabadka: Here, the voters of Kanizsa were joined in order to lower the percentage of Hungarians in the area along the Tisza River.

Macedonia's Strategic Options, Environment

92BA0999A Skopje NOVA MAKEDONIJA in Macedonian 23 May 92 p 14

[Article by Zoran Petrov: "Balance of Fear; Macedonia and Its Military Surroundings"]

[Text] *From the political, security, and military standpoints, Macedonia finds itself in a kind of vise, squeezed between not quite friendly neighbors, whose armed forces are not to be underestimated. Possible military clashes within the former Yugoslavia are projected for Macedonia by U.S. military analysts. At the moment, from the military-strategic viewpoint, the Republic of Macedonia is the least defined area in Europe, according to General Todor Atanasovski, retired.*

With the bloody breakup of Yugoslavia, the Republic of Macedonia has found itself in a unique situation not only in defining its statehood—developing its own legal and economic system and its independence and sovereignty—but also in defending and protecting its identity and interests. One of the reasons has been the adverse development of the situation concerning international recognition, which led to the emergence of the familiar and quite unfriendly behavior of Greece, manifested by its total blockade of Macedonia. A similar strategy is also being applied by our northern neighbor, Serbia—that is, the Federal Republic of Yugoslavia [FRY]—whereas cooperation on Macedonia's eastern and western sides is based, in general, on territorial concessions at its expense. In any case, from the political and security points of view, the Republic of Macedonia finds itself in a kind of vise, the pressure of which depends on the international correlation and deployment of forces and interests as well as on the internal political requirements of our neighbors' ruling powers. The inevitable impression is that it is precisely in the past few months that the intensity of this squeeze has developed into an actual special war waged against Macedonia, aimed at its total economic exhaustion and political destabilization. Through active propaganda and intelligence activities, intensive efforts are being made to demoralize the citizens and promote trouble. Under such circumstances, it is normal for a citizen of the Republic to be afraid and to ask himself whether he will be the target of aggression and whether Macedonia could possibly be faced with a war.

With the proclamation of the FRY, the former Yugoslav National Army would inevitably change. Until the Constitution of the so-called third Yugoslavia is drafted, the forces of that new country in the Balkans would consist of 70,000-100,000 men, one-third of them officers and noncommissioned officers. For comparison's sake, the current Albanian Armed Forces consist of approximately 45,000 people. Bulgaria has more than 150,000 troops, while the Greek Army has some 120,000. The problem facing the Republic of Macedonia is that none of these countries are very friendly toward it because of their interest in our territory. Bulgaria, for example, having recognized the Republic, immediately proclaimed that the people of Macedonia are Bulgarian; the Greek policy toward Macedonia could be qualified as subversively nihilistic and negative; the Albanian authorities link the recognition of the Republic to granting greater rights to Albanians in our country and openly support the establishment of an autonomous area in western Macedonia. Serbia is still controversial in terms of its attitude toward the Republic of Macedonia, politically turning its behavior to "hot and cold" but with a clear indication of Greater Serbian aspirations

toward Macedonia. In other words, not one of our neighbors is interested in the existence of Macedonia as a state.

Uninterested Europe

One should not dare ignore the international factor or the European Economic Community. The constant postponement, which is the equivalent of ignoring the international recognition of the Republic of Macedonia, considered in its historical context, merely confirms the lack of interest shown by Europe in the former southernmost Yugoslav republic. From the military strategic aspect, the treatment of Macedonia as constituting a potential threat in the Balkans, precisely because of the aspirations of our neighbors, could also mean that that same Europe considers Macedonia as a problem that cannot be resolved with international recognition of the Republic and its participation in European and global integration processes.

From Which Side Are the Winds of War Blowing?

The possible consequences of the military activities in the former Yugoslavia were reported two weeks ago in THE WASHINGTON POST, the influential U.S. newspaper, and recently repeated by CNN, the TV network, in a discussion with a noted U.S. military analyst. In that context, the possibility that Macedonia might find itself in a state of war with Serbia because of Kosovo was assessed to have a 50-percent likelihood. A critical deadline for such a development of relations, according to U.S. military forecasts, is precisely the day after Kosovo holds its multiparty parliamentary elections, which are considered by the Serbian authorities to be illegitimate and illegal and does not exclude repressive measures being taken by the police and the army.

Looked at from this side, the situation in Macedonia is directly affected by the situation in Kosovo because it is impossible to avoid repercussions resulting from the possible disturbances or rebellion in that area. One such variant (military strategists always anticipate the worst possible development of a situation) could be considered the huge number of refugees fleeing from Kosovo and humanitarian aid to Macedonia; nor is the troubling feature of providing direct military assistance and involvement of the Albanians in Macedonia excluded. Considering such a possible situation, the U.S. analysts also anticipate the involvement of Albania in open armed conflict with Serbia, which would send its forces into the northwestern part of Macedonia; a 30-percent likelihood is anticipated of direct military involvement of the Armed Forces of Bulgaria and Greece, which could lead to the opening of a Balkan front. This option should not exclude the fact that Bulgaria and Greece have behind them the "Mideastern policeman," Turkey, which currently has an exceptionally big and potentially powerful armed force, given its important intercontinental strategic position. Hence, if we also take into consideration relations between our neighbors (in addition to the announced Serb-Greek alliance), which is not in the least friendly, one could consider that the most likely alternative for Macedonia would be the preservation of the status quo regarding its security. To simplify speculations concerning the current military and political correlations, it is clear that everyone is afraid of everyone else and that the present state of peace may be precisely a balance of fear.

The Most Sensitive Is the Northern Border

Although the Republic of Macedonia as a state is properly constituted, objectively, the establishment of the FRY leaves it exposed to the wind, according to Todor Atanasovski, a retired general and one of the most knowledgeable persons regarding our military problems. In his view, the borders with Bulgaria, Greece, and Albania have been internationally verified, and any attempt by an armed force to cross them would have international consequences, as would be the case with any aggressor. The problem is with our northern border, Gen. Atanasovski stresses, which, whether we like it or not, is still only administrative and not internationally recognized. That is precisely why, from the military and strategic point of view, the Republic of Macedonia at the present time is the least defined space in Europe, he says. As to an aggression consisting of an open foreign invasion of Macedonia, Atanasovski believes that, under the present circumstances, this would be impossible for the simple reason that an aggressor must establish in advance the necessary conditions and prerequisites to this effect.

The former Yugoslav National Army, which has deployed three army corps along the border with Macedonia (in Pristina, Leskovac, and Nis), is believed to be one of the most critical factors in terms of the Republic's safety, Gen. Atanasovski believes. This is an almost entire army. The heavily armed condition of the Serbs, already actively engaged in an economic, political, propaganda, and psychological warfare mounted against Macedonia, the further escalation of which should not be underestimated, should be a matter of serious evaluation. According to Atanasovski, such an evaluation should also include the policies pursued by our neighbors, which depend on something else: the extent to which the nations of these countries have become infected by the steady indoctrination, so that there cannot even be a question of any kind of high-level rationality. In general, Atanasovski said, I do not think any one of our neighbors would give up on Macedonia. However, this does not mean that war involving us is inevitable. In his view, the most critical period in terms of Macedonian security is the outcome and the transitional period in the breakdown of Yugoslavia, which continues except in Slovenia. If this period can be crossed in peace, provided military operations have not involved Macedonia, in his view, following international recognition of Macedonia and its becoming part of the European and global system of collective security, the situation will remain stable.

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July 1992